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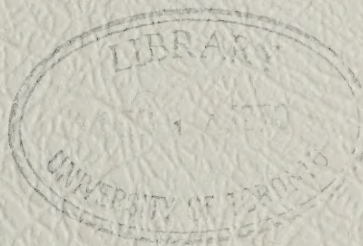
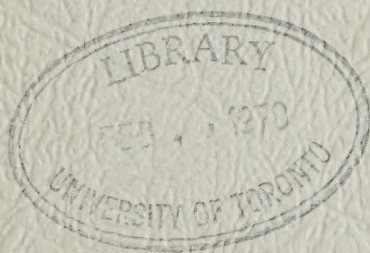
Government
Publications

Legislative assembly Committees
Select committee on consumer credit
Hearings

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearings at the
Parliament Buildings, Toronto, Ontario,
on the 18th day of November, 1964.

* * * * *





1 ---UPON RESUMING AT 10:00 A.M. NOVEMBER 18, 1964

2 THE CHAIRMAN: Gentlemen, we will
3 now call the meeting to order.

4 We have with us this morning
5 representatives of the Educational Reference Book
6 Publishers Association and we will hear from them
7 first.


8 Is Mr. Elliott presenting
9 the brief?

10 MR. ELLIOTT: Mr. Arthur F. Elliott
11 of the -- Chairman of the Educational Reference Book
12 Publishers Association and also President of the
13 Grollier Society Limited. You each have a copy of
14 the brief. As I read this I believe a great many
15 of the questions you may have in mind will be
16 answered.

17 To the Select Committee on Consumer
18 Credit, Province of Ontario from the Educational
19 Reference Book Publishers Association, November 17,
20 1964.

21 The members of this Association
22 are Canadian companies of French or English language,
23 whose publications are recognized as works insuring
24 cultural improvement. The object of the Association is
25 to develop and promote the general welfare of the
26 educational reference books industry in Canada.

27 (a) to create in the minds of the public an awareness
28 of the need for and the function of educational
29 reference books in the home as an integral part of
30 elementary, secondary and university education:



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- 1 (b) to persuade the public to accept the educational
2 reference books industry as a useful and desirable
3 means of effecting distribution of educational
4 reference books;
- 5 (c) to develop relations with schools and educational
6 institutions in order to attain a better under-
7 standing of student needs, and to encourage a
8 widespread use of educational reference books in
9 formal education;
- 10 (d) to foster, through information and by constructive
11 means, a favourable attitude on the part of provin-
12 cial legislatures, municipal councils and officials
13 towards the educational reference book publishing
14 industry.

15 Publications of member companies
16 are classified as encyclopedias, yearbooks, dictionaries,
17 atlases, treatises pertaining to particular trades and
18 professions, supplementary works pertaining to individual
19 areas of school curricula, trade books, classic books
20 and audio-visual instructional materials. Most of these
21 are of greatest interest to young people of school age.

22 Among the multi-volume works published
23 by member companies are these well known titles:

24 THE ENCYCLOPAEDIA BRITANNICA
25 THE BOOK OF KNOWLEDGE
26 WORLD BOOK ENCYCLOPEDIA
27 COLLIER'S ENCYCLOPEDIA
28 THE ENCYCLOPEDIA AMERICANA
29 COMPTON'S PICTURED ENCYCLOPEDIA
30 THE ENCYCLOPEDIA CANADIANA

28 SALES VOLUME IN CANADA

29 The first Canadian branch of the
30 reference book industry was established at Winnipeg in



1 1915. Forty-five years later, sales volume had grown
2 to an annual figure slightly in excess of 19 million
3 dollars. During 1963, the last complete year of
4 record, sales exceeded 23 million dollars, accounted
5 for as follows:

6	1. Homes and Offices:	\$18,650,000.
7	2. Schools and Libraries:	1,200,000.
8	3. Mail Order:	3,450,000.
		<hr/> 23,300,000.

9 The great majority of sales in
10 Category 1, were taken as monthly instalment accounts
11 with payment extension periods varying between 18 and
12 36 months. The greater number fall in a bracket of
13 not less than 25 and not more than 30 months.

14 All term contracts are financed by the
15 member companies. None are sold to or are handled by
16 Finance Institutions. The average sale is \$260.00.
17 The average deposit with order is \$10.00. The average
18 monthly payment is \$10.00. Financing charges vary
19 slightly among our different companies, but in general
20 they are based on the following formulae:

<u>Net Amount</u>	<u>Monthly Finance Charge</u>
\$150.00	50¢
\$300.00	\$1.00
\$400.00	\$1.35

23 Most companies prefer to include ser-
24 vice and finance charges in the gross amount of the
25 sale. About one-quarter of the business is written
26 to show the net (cash) sale amount plus a monthly
27 charge for financing costs. Standard agreement forms
28 illustrating both methods are attached as Appendix "B".
29

30 The average weight of package shipped



1 by express or truck transport was 63.8 lbs. in 1963.
2 Eighty-thousand such packages (exclusive of mail
3 order) were shipped in that year.

4 THE NEED FOR REFERENCE WORKS

5 The encyclopedia is a unique teaching
6 tool. It is a community resource, not just of town or
7 neighbourhood, but of the entire community of man, of
8 his works, his environment, his past, his present.
9 An encyclopedia is the essence of man's experience,
10 distilled out of oceans of words and made both
11 accessible and meaningful for young minds. In the
12 teacher's hands and in the hands of interested parents,
13 it is an indispensable instrument for enriching the
14 educational program, and for providing practice in all
15 important reading and research skills.

16 In this age of the professional and
17 technical worker, there is an increasing demand for the
18 adequately educated and a decreasing need for the
19 unskilled.

20 In the past, much stress has been laid
21 on rote memorization. Certainly a foundation of facts
22 is still necessary, but with the rapid growth of knowledge
23 in this century doubling and redoubling over decreasing
24 periods of time, it is not possible for any one person
25 to learn all there is to know about all, or even one
26 single subject in his lifetime. Nor does he need to
27 have all this knowledge, for there are many sources to
28 which he can refer when he has need for information.
29 It is imperative, however, that he knows how and where
30 he can find the information he needs when he needs it.



1 The development of the research skills to enable him
2 to do this is one of the most important features of a
3 sound educational program. An important function of
4 the school -- and an increasingly important function
5 of parents also -- is to provide learning experiences
6 through which children can develop skill in finding,
7 organizing and using information. The encyclopedia
8 becomes, in these respects, a most important teaching
9 and research aid.

10 The teacher or the parent who arouses
11 the student's enthusiasm for knowledge, and trains him
12 to find the answers, is preparing him for a useful and
13 successful life. The student who uses reference
14 material is more likely than most to adopt the viewpoint
15 of an educated person. He will be a better lathe oper-
16 ator, a better airplane pilot, a better businessman, a
17 better farmer, a better scientist, and a better fisher-
18 man for having learned to shun ignorance and to seek
19 knowledge.

20 All the foregoing has been summed up
21 very neatly and concisely by a fourth grade teacher
22 who said: "I encourage my children's parents to buy an
23 encyclopedia. The child who has a small home library
24 of which the encyclopedia is the nucleus, can be taught
25 an important lesson -- that the quest for knowledge
26 is not merely a school-imposed task, but is part of life.
27 Family discussion and answer-seeking whet the child's
28 appetite for learning at school. Questions arise
29 naturally at mealtime and while watching television. I
30 wish there were an encyclopedia beside every TV set and



1 dining-table in the country."

2 METHOD OF SELLING

3 With the exception of sales to libraries
4 schools, other institutions, and sales by mail order,
5 80% of the educational reference books sold by Associ-
6 ation member companies is almost entirely sold through
7 direct solicitation by the publisher.

8 Practically no multi-volume reference
9 books of high quality are sold through retail book
10 sellers, department stores or mail order houses. Book
11 stores are just not universally available. In all
12 Canada there are fewer than 75 bookstores that stock and
13 can maintain a wide range of hard cover books, and few,
14 if any, of these stores are in a position to finance,
15 administer and collect subscription sales.

16 Experience has proved on many occasions
17 in many areas with various reference publications that
18 the more generally accepted method of selling, through
19 retail stores, would cripple sales volume to a degree
20 which would result in prohibitive prices or the
21 cessation of publication altogether.

22 Basically, there are four methods used
23 by the industry to solicit sales. They are referred to
24 as --

- 25 (1) The door-to-door canvass;
26 (2) The telephone canvass for appointments;
27 (3) By invitation through national advertising;
28 (4) By invitation from local mail circularizing.

29 In the year 1963, less than one-third
30 of the industry's sales were developed by direct canvass



1 methods. More than two-thirds were developed through
2 advertising. (See Appendix "C")

3 With the exception of mail order
4 business, which represents about one-seventh of the
5 total sales volume, all sales are contracted in the
6 names of the various member companies by their
7 independent commission representatives.

8 THE REASON FOR DIRECT PRESENTATION

9 It is the general policy of member
10 companies to encourage their representatives to
11 demonstrate and explain their publications to both
12 parents. The industry strongly discourages contractual
13 arrangements made with the housewife or husband alone,
14 and accepts "single signature" subscriptions only when
15 a reasonable and verifiable explanation is provided
16 by the representative. The vast majority of
17 subscription orders accepted by our member companies
18 carry the signature of both man and wife, though this
19 is not necessary for legal reasons only.

20 Our members believe, and draft their
21 policy accordingly, that their representatives must
22 present their publications and their prices and terms
23 for the consideration and decision of both parents.
24 The aim of this policy is customer satisfaction and, it
25 it follows, good quality business for the companies.

26 Rarely do parents, before inspection,
27 visualize the contribution an educational reference work
28 may make to their children's education. Those who do
29 not visualize the need are unlikely to purchase a major
30 and apparently expensive work from a store or direct



1 from the publisher by mail. Expanding school
2 requirements of growing children may raise the question
3 whether home reference works are necessary; advertising
4 and circularizing may promote interest or curiosity and
5 inquiries, but it requires the examination of the books
6 and their potential as learning aids to drive the need
7 home. Consequently, the solicitor's welcome is one that
8 ripens very quickly once the importance of his visit
9 becomes apparent. Fewer than 2% of purchasers subsequent-
10 ly request cancellation.

11 THE COST OF PREPARING REFERENCE WORKS

12 Although the advantages to parents and
13 students of having reference volumes readily available
14 are known to our educators and appreciated by them,
15 little thought is given to the tremendous effort, time
16 and money involved in their publication. For example,
17 the editorial research, the preparation of text and
18 illustrations for the 10 volume Encyclopedia Canadiana,
19 wholly undertaken in Canada, represents an initial
20 investment of nearly one million dollars. Encyclopedia
21 Canadiana, continuously revised and maintained by a
22 full-time editorial staff, has been on the market since
23 1957 and has enjoyed remarkable acceptance, but it has
24 yet to recover one-quarter of the original capital
25 investment.

26 Works of the size and scope of the 38
27 million word Encyclopaedia Britannica or the 30 volume
28 Encyclopedia Americana represents capital and maintenance
29 investments that run into millions of dollars.

30 A major editorial revision of Collier's



1 Encyclopedia, a 20 volume work was completed recently
2 at a cost of more than two million dollars.

3 The cost of paper, printing and
4 binding increases steadily each year. Yet retail
5 prices -- holding steady through continuous sales
6 growth -- have shown little or no increase in seven
7 years. A major work of scholarship may still be
8 purchased for less than \$300.00.

9 The explanation of relatively low
10 retail cost can be found in the basic business
11 principle -- large volume printings made possible through
12 large volume sales.

13 Our member companies' experience in
14 many decades of editing and publishing and marketing
15 such well known and respected children's works as
16 World Book Compton's Pictured Encyclopedia, and The
17 Book of Knowledge has proved that reasonable retail
18 prices may be maintained only through volume sales,
19 and volume sales can be secured only by direct solici-
20 tation.

21 PROTECTIVE LEGISLATION

22 The Association recognizes that occasion-
23 ally infractions of good selling practices do occur
24 within the reference book industry -- just as they
25 occur elsewhere in the professions and in general
26 trade and commerce.

27 In the interest of their customers, most
28 member companies have adopted in recent years the practice
29 of veriftyin all subscription orders. Immediately
30 following receipt of a subscription agreement from a



1 sales representative, a company official contacts the
2 customer -- usually by telephone -- to ascertain the
3 customer's understanding of the agreement; to clarify
4 the contractual terms if that occasionally is
5 necessary, and to ensure customer satisfaction before
6 the order is accepted and entered on the company's
7 books. The Association believes in the right of free
8 men to engage in legitimate business. It would object
9 strenuously to legislation potentially prohibitive or
10 punitive in nature. It would argue unreasonable
11 legislation that might increase operating costs. The
12 consumer price is a matter of concern to the
13 purchaser, and any substantial increase would tend
14 toward prohibition of the ready accessability to
15 children of educational, informative, inspiring and
16 cultural works.

17 On the other hands, our member
18 companies would not object to reasonable and just
19 legislation designed for the protection of a majority
20 if such is the indicated need. The Association does not
21 object to the principle of the waiting period now being
22 considered provided the governing legislation is drafted
23 fairly and without prejudice and with the practical
24 problems of efficient business administration in mind.

25 But such legislation should be fair to
26 both contracting parties -- the buyer and the seller.
27 In effect, it must be a two-way street, providing at
28 once reasonable protection for the "impulse" buyer and
29 improved quality credit business for the seller.

30 The Association suggests though that a



waiting period in excess of two days would be too long in light of the practical problems imposed on a business administration by the normal 5-day business week. One must consider too, the demands of customers who, having made the decision to purchase, impatiently await delivery.

Our members suggest that a two-day waiting period would adequately serve the intended purpose. Furthermore, they suggest that the waiting period should close at 4:00 p.m. on the second mailing day that follows the date of contractual arrangement.

For example:

MONDAY	. . . Contract signed	. . . Sept. 1st
TUESDAY	. . . First day	. . . Sept. 2nd
WEDNESDAY	. . . Second day (4:00 p.m.)	. . . Sept. 3rd
THURSDAY	. . . Third day	. . . Order Accepted
FRIDAY	. . . Contract signed	. . . Sept. 5th
SATURDAY	. . . First day	. . . Sept. 6th
SUNDAY	. . . (does not count)	. . . Sept. 7th
MONDAY	. . . Second day (4:00p.m.)	. . . Sept. 8th
TUESDAY	. . . Third day	. . . Order Accepted

But again we stress that protective legislation must be fair and reasonable to all concerned and should not be restrictive to legitimate and fair trade. We would, therefore, reserve the right to examine the draft of such legislation with a view to debating specific provisions if that is deemed necessary by our members.

CONCLUSION

Encyclopedias are major works of scholarship and skill. Many thousands of writers, editors, artists and printing craftsmen are engaged in their production. Many thousands more persons are engaged



1 in their distribution. The reference book industry's
2 contribution to the economy is not a small one.

3 The total domestic and foreign sales
4 of North American encyclopedia publishers exceed 380
5 millions of dollars a year. Long established
6 reputable companies account for 99½% of this total.
7 Some of these companies are privately owned. Others
8 are publicly held and publish financial reports. The
9 Annual Report of one of the largest of the publicly
10 held companies -- GROLIER INC. -- is attached as
11 Appendix "D".

12 A booklet, "The Encyclopedia -- A Key
13 to Effective Learning", published by the Association,
14 is attached as Appendix "E". Ten thousand copies of
15 this booklet have been distributed to educators and
16 other interested persons in Canada.

17 A statement of policy by one of our
18 larger member companies is attached as Appendix "F".

19 Respectfully submitted by

20 THE EDUCATIONAL REFERENCE BOOK PUBLISHERS ASSOCI-
21 ATION.

22 THE CHAIRMAN: Thank you very much,
23 Mr. Elliott. Do you think we can proceed with all
24 this noise here?

25 MR. SEDGWICK: Well, Mr. Elliott, I
26 think I can start with any questions I ask you by
27 saying as far as I am aware no complaints have been
28 made to this Committee about members of your Associ-
29 ation either as to the product you sell or the selling
30 methods that you follow. And I think the Committee



1 should also know that your appearance is a voluntary
2 one, isn't that right?

3 MR. ELLIOTT: Right.

4 MR. SEDGWICK: Having said that there
5 are one or two things I should like to ask you about
6 on page 2, about the middle of the page, where you
7 set out your sample sales price and the monthly
8 finance charge. Do I take it that as to three-quarters
9 of your people there is not a cash price? That is,
10 you sell for a subscription price over a period?

11 MR. ELLIOTT: In the interest of
12 maintaining our standard price we quote only one
13 package price which includes budget charges. You
14 must remember that less than 3% of our sales are
15 cash sales. When cash sales are taken our representatives
16 are empowered to include additional merchandise. We
17 don't actually give a cash discount.

18 MR. SEDGWICK: I see, you don't take
19 off, you add something on.

20 MR. ELLIOTT: We give them more.

21 MR. SEDGWICK: Where you do set out
22 the interest charge you set it out as a dollar figure?

23 MR. ELLIOTT: That's correct.

24 MR. SEDGWICK: And taking your \$400.00
25 figure it would be \$1.35 a month spread over the
26 term of 30 months it would be \$40.50. Is that correct?
27 So that some of your members who sell at \$400.00 as
28 the price and the cash purchaser pays \$400.00, the
29 time buyer would pay an addition \$1.35 or \$40.50 over
30 the term. Is that right?



1 MR. ELLIOTT: Over the term, yes.

2 MR. SEDGWICK: You pay \$1.35 multiplied
3 by the number of months. Yes.

4 I don't know whether you have
5 ever considered the feasibility of expressing that
6 charge as a percentage of the total credit involved.

7 MR. ELLIOTT: We never have.

8 MR. SEDGWICK: Mr. Irwin will
9 ascertain whether you think it would be feasible or
10 not.

11 Do your members keep a lien on
12 the books -- I believe you do, don't you?

13 MR. ELLIOTT: That is true.

14 MR. SEDGWICK: On conditional sales
15 do you repossess to any extent?

16 MR. ELLIOTT: Not to any large
17 extent. Occasionally it is necessary.

18 MR. SEDGWICK: Would that 2% figure
19 which you give somewhere --

20 MR. ELLIOTT: No, that refers to
21 cancellations immediately.

22 MR. SEDGWICK: Yes. And where people
23 immediately cancel is it your practice to consider
24 that the end of the transaction?

25 MR. ELLIOTT: We endeavour to do a
26 reselling job, but if that fails we cancel.

27 MR. SEDGWICK: I see. And you say
28 that the percentage of repossessions would be less than
29 2%?

30 MR. ELLIOTT: Yes, yes, yes.



1 MR. SEDGWICK: I don't think I have
2 any other questions. I can tell you I have bought
3 three Encyclopaedia Britannicas; one for myself and
4 one for each of my children. I have no other questions.

5 I am substantially in agreement
6 with what you say about the great value of an
7 encyclopedia. As I have already said, I don't know
8 of any criticisms that have been made about your
9 selling practices.

10 THE CHAIRMAN: Mr. Irwin, do you have
11 any questions?

12 MR. IRWIN: Mr. Chairman, chiefly not
13 to disappoint the Committee I will ask you with
14 reference to the page 2 finance charges, what would
15 this result be in percentage rate per annum, did you
16 ever work it out?

17 MR. ELLIOTT: We were yesterday,
18 as a matter of fact, we were in touch with the
19 mathematics department at the University of Toronto
20 who tells us this works out to around 6-3/4%.

21 MR. IRWIN: Well, we should get
22 together -- that's about half, I'd say. I think
23 I will leave that question.

24 THE CHAIRMAN: Mr. Whicher, do you
25 have any questions?

26 MR. WHICHER: I don't think I have
27 any questions. I am in agreement with the brief.

28 THE CHAIRMAN: Mr. Bukator? Mr.
29 MacDonald?

30 MR. MACDONALD: In case Mr. Letherby



1 is disappointed I will try to (rest inaudible)

2 I will forego any questions on the
3 cultural values of encyclopedias. I concur with you
4 too. But there are a few with reference to the
5 selling procedures. What explanation have you for
6 the relatively low percentage cost for your service
7 charges, your monthly service charges? I mean we
8 have found that they usually run in the range of
9 12 to 15% in other institutions?

10 MR. ELLIOTT: The only answer I can
11 give to that, sir, is we do not endeavour to make
12 money on the service charges. We make money on the
13 sale of our books. So this just covers our costs.

14 MR. MACDONALD: Just covers the
15 costs.

16 MR. ROWE: Does it cover the cost?

17 MR. ELLIOTT: Yes.

18 MR. MACDONALD: Well, that's rather
19 interesting because we've been told you can't cover
20 the costs to other companies with less than about 12%.
21 Or 16.

22 MR. WHICHER: There is less investi-
23 gation as compared to Eaton's or Simpson's or something
24 like that.

25 MR. MACDONALD: Well, do you do a
26 client investigation?

27 MR. ELLIOTT: Of course. We have
28 to investigate -- not all, not all, but many of our
29 contracts and we turn down actually about 4%, for
30 credit reasons.



1 MR. MACDONALD: You mean because you
2 are certain that the person isn't --

3 MR. ELLIOTT: That the person is a
4 poor credit risk.

5 MR. MACDONALD: If you sell Mr.
6 Sedgwick you know you needn't investigate his credit.

7 MR. WHICHER: That would be one of
8 those 3% for cash. (Laughter).

9 MR. MACDONALD: Have your members
10 completely forsaken the use of gimmicks in sales?
11 For example, thirty years ago I was lured into buying
12 Grolier at the time I wasn't in a position to pay for
13 it, quite frankly, and one of the things that lured me
14 in was that they provided me with a knife and a fork
15 as part of the sale. I thought this would be a
16 Christmas present for my mother at the same time, you
17 see. Does that practice still go on?

18 MR. ELLIOTT: Most companies I believe
19 have a bookcase.

20 MR. MACDONALD: But not what might
21 be described as extraneous gimmicks such as carving
22 sets?

23 MR. ELLIOTT: No, not to my knowledge.

24 MR. WHICHER: You got the last
25 one in time for Christmas. (Laughter). Incidentally,
26 did you give it away or did you keep it?

27 MR. MACDONALD: As a matter of fact I
28 tried to get out of the contract but I was dunned by
29 lawyer's letters.

30 I'm rather interested as to why



1 you feel that a two day waiting period -- I would judge
2 that a waiting period doesn't really create any
3 difficulties in that you go back to the customer and
4 check through the nature of the sale and if he is
5 not happy you cancel the order, you said.

6 MR. ELLIOTT: We would attempt to
7 resell him.

8 MR. MACDONALD: But if he says No
9 you don't at that point attempt to take any other
10 action. Why would more than two days -- the reason
11 I am asking you is that I would like, in my own
12 mind, to figure out why a two-day period would be
13 long enough to make it possible in some instances
14 for cancellation of the order. For example, if it
15 happens to be out in an area where the only alternative
16 to a long distance call, which costs money, is a letter.
17 The odds are fairly high that you are not going to
18 get the letter inside of two days and you are just
19 going to get yourselves in difficulties.

20 MR. ELLIOTT: That, sir, is what we
21 had in mind regarding the details of any such legis-
22 lation that might be brought in, and we felt the
23 postmark could be used, the date of the postmark of
24 the letter could be used. If that letter was postmarked
25 prior to or within the period. In other words it
26 would be considered as cancelled.

27 MR. MACDONALD: The implication of
28 what you are saying is that you are going to wait
29 longer than the two days anyway.

30 MR. ELLIOTT: Until the third day when



1 we are going to enter the order.

2 MR. MACDONALD: Suppose the order is
3 coming from Kenora, it would take two days to get here.
4 You enter the order on the third day and the fourth
5 day you get a cancellation.

6 MR. ELLIOTT: That's true, but the
7 order hasn't been shipped yet. So part of our cost
8 is avoided.

9 MR. SEDGWICK: The shipping cost
10 would be more than the deposit actually.

11 MR. ELLIOTT: Yes, in most cases.

12 MR. MACDONALD: Well, the only other
13 comment I have, Mr. Chairman, maybe it isn't necessary
14 at this point. I agree with the paragraph underneath
15 the listing of how you handle your waiting period, on
16 page 5. But I think when we do get legislation, by
17 the normal course of events, there will be an
18 opportunity for all interested parties to come
19 before one of the standing committees and make
20 representations as to how if in any way it is going
21 to raise unnecessary difficulties in your business.
22 The outstanding problem, of course, is that if the
23 legislation is in effect a blank check and it's left
24 to regulations, we haven't yet worked out a procedure
25 here whereby the innocent victim of the regulations
26 can be heard before he is hit.

27 MR. ELLIOTT: We would appreciate
28 very much an opportunity to discuss the details of
29 this regulation.

30 MR. MACDONALD: Well our side of the



1 House will see that you get it. Which is no
2 assurance. (Laughter). We have great difficulty
3 protecting the consumers in this Province.

4 THE CHAIRMAN: Mr. White, any
5 questions?

6 MR. WHITE: Yes. The last paragraph
7 on page 4 states that most of your member companies
8 verify all subscription orders. I have been a
9 salesman or a sales manager most of my life and I
10 have never in my life had occasion to verify an
11 order made by one of my salesmen. Now my question is,
12 why is this necessary in your line of endeavour?

13 MR. ELLIOTT: We feel that it is
14 necessary, especially in the case of new sales, that
15 some of the details of the purchase have not been
16 explained and to avoid what is known as "buyer's
17 remorse".

18 MR. WHITE: The reason I asked is
19 because friends of mine have explained to me that
20 some of the salesmen of your member companies are
21 really high pressure artists and this practice which
22 you have now explained seems to substantiate this.
23 I'm not accusing the companies of this, but apparently
24 some of the salesmen employ rather high pressure of
25 the very worst kind.

26 MR. ELLIOTT: I wouldn't deny, sir,
27 there are some. We endeavour to weed them out, but
28 there are some.

29 MR. WHITE: Time Magazine, I think,
30 had an article some months ago indicating there was a



1 scandalous situation taking place.

2 Now on the top of page 5 you
3 say that legislation should be a two-way street. This
4 is true that now it is a one-way street by which I
5 mean you have just confirmed that the companies have
6 the privilege of accepting or rejecting a contract
7 on terms of credit, so now it is a one-way street.
8 And the recommendations made to the Committee by
9 consumers' associations and so on, is an attempt to
10 turn a one-way street into a two-way street.

11 MR. ELLIOTT: We have the right to
12 turn down a contract for credit reasons, but the
13 customer can cancel too.

14 MR. WHITE: This would be a matter
15 of law.

16 MR. ELLIOTT: We rarely resort to
17 legal proceedings.

18 MR. WHITE: Well that may be true
19 or it may not -- I don't suppose you can speak for
20 the detailed policies of all your member companies --

21 MR. ELLIOTT: No, you can't speak
22 for them all, but I think they are pretty generally
23 the same.

24 MR. WHITE: But the customer has no
25 right in law to cancel out, but the company has the
26 right not to accept the contract. Now what objection,
27 if any, and maybe there is no objection --

28 MR. ELLIOTT: Not in principle.

29 MR. WHITE: There would seem to be no
30 objection then to the customer saying: "Give us the



1 right in law not unlike the right the companies now
2 have". You agree with that?

3 MR. ELLIOTT: Within a reasonable
4 time, yes.

5 MR. WHITE: I have no further
6 questions.

7 THE CHAIRMAN: Mr. Edwards? Mr.
8 Rowe? Mr. Letherby? Mr. Reilly?

9 MR. REILLY: I'm happy, Mr. Chairman.

10 MR. BUKATOR: You have all your
11 payments up to date. (Laughter).

12 THE CHAIRMAN: If there are no other
13 questions then, gentlemen. Thank you very much for
14 presenting your brief to us, Mr. Elliott.

15 We will now hear from the
16 representatives of the Encyclopaedia Britannica of
17 Canada Ltd. You gentlemen, I understand, have a
18 short brief, a copy of which we all have been given.
19 Would you introduce yourselves to the members of
20 the Committee?

21 MR. SWANSON: I am Mr. Swanson,
22 Managing Director of Encyclopaedia Britannica and
23 this is Mr. Graver who is our Sales Manager.

24 I will just read this short
25 brief that I believe was requested by Mr. Harcourt
26 and we are open to any questions beyond that.

27 We are members of the
28 Association that just presented the previous brief
29 and participated in the preparation of that.

30 At your request I have prepared



1 a brief convering the procedures and practices followed
2 by Encyclopaedia Britannica of Canada, Ltd., in regard
3 to extending credit to consumers. We offer
4 subscribers the opportunity to purchase our publications
5 on an instalment basis with payments extending up to
6 30 months. These terms are offered to subscribers at
7 the point of sale, which is normally made in the
8 subscriber's residence. We offer the subscriber the
9 opportunity to make a down payment and then to pay the
10 balance in equal monthly payments over the life of the
11 contract.

12 We have a service and budget
13 charge amounting to \$1.35 for each month that the
14 contract shows an outstanding balance. When a subscriber
15 takes 30 months to settle his account, this service
16 and budget charge totals \$40.50. This is equivalent to
17 an annual charge of approximately 6% over the life
18 of the contract. This rate is equivalent to that
19 charged our company by lending institutions. We believe
20 we offer credit on attractive terms in comparison to
21 rates from most direct-to-consumer selling organizations
22 and would prefer not to have legislation enacted in
23 regard to minimum rates. However, should this arise,
24 we anticipate that our rates would be below the rates
25 legislated.

26 I wish to point out that we
27 credit each order and, in many instances, turn down
28 orders due to credit risk, We use credit bureaus
29 throughout Canada to obtain information, and those
30 with poor credit experience are not accepted.



1 We also discussed the "cooling
2 off" period, and it is our opinion that as far as
3 Encyclopaedia Britannica is concerned, we are opposed
4 to legislation of this type. We have our own built-in
5 "cooling off" period in that every single order
6 received in the home office is telephone verified. We
7 call the subscriber and review the merchandise
8 ordered, the price, the terms of payment, and other
9 important aspects of this purchase. This gives the
10 subscriber the opportunity to raise any questions or
11 misunderstandings regarding the sale. If the sub-
12 scriber cancels, we do not enforce the contract.
13 Thus, as you can see, we have a built-in "cooling off"
14 period provided to each of our subscribers, and do
15 not consider legislation necessary.

16 I will be most pleased to answer
17 any questions that you and/or the Committee have in
18 regard to our policies and practices on consumer
19 credit.

20 THE CHAIRMAN: I have just had a note
21 that the Committee members should speak up a little
22 bit. It is difficult to pick up voices on our
23 recording machine. Please keep that in mind.

24 Any questions, Mr. Sedgwick?

25 MR. SEDGWICK: Well, Mr. Swanson, only
26 one question. I take it that you do have both a
27 cash price and a term price. Is that right?

28 MR. SWANSON: That's right.

29 MR. SEDGWICK: That is, to take a
30 figure, the figure that you provided yourself, if I



1 buy the Encyclopaedia Britannica for cash it is
2 \$400.00, and if I take 30 months to pay you want
3 \$40.50?

4 MR. SWANSON: Right.

5 MR. SEDGWICK: And if I take six
6 months you add \$1.35 multiplied by six. Is that right?

7 MR. SWANSON: Correct.

8 MR. SEDGWICK: Do you hold your own
9 paper?

10 MR. SWANSON: Yes.

11 MR. SEDGWICK: You hold your own, you
12 don't deal with a finance company?

13 MR. SWANSON: No. We have our own
14 financing in the form of a long term debenture.

15 MR. SEDGWICK: I see. Well, any
16 questions that were in my mind were answered by the
17 gentleman who presented the preceding brief. I take
18 it you concur in that brief?

19 MR. SWANSON: That's correct.

20 THE CHAIRMAN: Mr. Irwin, do you have
21 any questions?

22 MR. IRWIN: Yes, Mr. Chairman. Your
23 first paragraph referred to the subscriber having the
24 opportunity to make a down payment. How much,
25 approximately, would the down payment ordinarily be,
26 say on a \$400.00 contract?

27 MR. SWANSON: We take \$10.00 on most
28 of them. If a subscriber wants to, and many do, make
29 a down payment of \$100.00; we encourage them to make
30 a larger down payment. But we would accept as low as



1 \$10.00.

2 MR. IRWIN: And the deposit, whatever
3 it might be, would be deducted from the sales price
4 first to determine the amount to be financed thereafter.

5 Then in your second paragraph
6 -- you don't refer actually to the sales price but
7 where you say \$1.35 for each month of the contract --
8 I take it from the preceding brief that this is on
9 a balance of \$400.00?

10 MR. SWANSON: I would say our average
11 balance is closer to \$500.00, but it varies. It
12 might be as low as \$300.00 and it might go as high
13 as \$700.00 depending again upon the size and the
14 product purchased.

15 MR. IRWIN: Well, when you quote
16 \$1.35 monthly finance charges what would be the
17 balance then?

18 MR. SWANSON: To any of the educational
19 packages purchased, regardless of what it is.

20 MR. IRWIN: I mean the dollar amount.
21 For instance in the previous brief on page 2 they
22 state that a monthly finance charge of \$1.35 relates
23 to a balance of \$400.00. That is the same as your
24 paragraph 2?

25 MR. SWANSON: Yes. That is, if the
26 balance was \$500.00 it would be the same charge.
27 In other words rather than a percentage we have a fixed
28 monthly charge. That is why it is difficult to
29 express it in an exact percentage.

30 MR. IRWIN: If the balance to be paid



1 on time were \$350.00, what would it be?

2 MR. SWANSON: It would still be
3 \$1.35. This would be \$1.35 for the months taken
4 to pay it off. If they take only six months to pay
5 it off, as Mr. Sedgwick said, it would be six times
6 that.

7 MR. IRWIN: So you are working over
8 a very wide range of the sales price in applying the
9 finance charge?

10 MR. SWANSON: Yes.

11 MR. IRWIN: Where would the \$1.35
12 finance charge start then, in range? Would it be on
13 a \$300.00 balance?

14 MR. SWANSON: Any amount.

15 MR. IRWIN: Oh, any amount. If it
16 was \$50.00 for 12 months it would still be \$1.35?

17 MR. SWANSON: Yes.

18 MR. IRWIN: Would it always be \$1.35
19 regardless of what the unpaid balance is or the
20 number of months?

21 MR. SWANSON: Yes, at that rate per
22 month.

23 MR. IRWIN: In other words, a 30 month
24 contract would still be \$1.35?

25 MR. SWANSON: Per month, right.

26 MR. IRWIN: No matter what the amount
27 to be financed was?

28 MR. SWANSON: Yes.

29 MR. IRWIN: If it was a 12 months
30 contract would it still be \$1.35?



1 MR. SWANSON: Yes.

2 MR. IRWIN: Well that would differ
3 slightly then from the information given on page 2
4 of the preceding brief?

5 MR. SWANSON: I think, if I remember
6 the wording correctly, it would qualify it that the
7 various companies have different rates. One of
8 the members charges $3/4$ of 1% per month on the
9 outstanding balance. So some use an expression of
10 percentage, others use a flat monthly charge.

11 MR. IRWIN: I'm just trying to get
12 it cleared up. Your charge is always \$1.35 per
13 month regardless of the amount to be financed or
14 the number of months?

15 MR. SWANSON: Yes.

16 MR. IRWIN: Well that clears up some
17 of the further questions I was going to ask, because
18 your rate well might, on the average, be approximately
19 6%.

20 MR. SWANSON: Yes. The contract is
21 so much per month and the subscriber if he wishes
22 at any time may pay off the balance and not have this
23 remaining charge.

24 MR. IRWIN: So that on a very high
25 balance and a very long term -- let's say a \$500.00
26 balance over 36 months it could work out to a rate
27 of around 6%.

28 MR. SWANSON: We only go up to 30 months
29 on ours.

30 MR. IRWIN: The other line of question-



1 ing -- I'll put this to you in the form of an actual
2 experience I had. We were approached and I was
3 interested. And this is the point. The salesman
4 was very personal and interesting. The interesting
5 thing about my experience was this, that always
6 during our conversation there was a contract form in
7 front of us and the bottom part was turned up like
8 that, and he kept talking and talking and talking
9 and I kept interjecting: "Well, how much am I going
10 to pay?" Well, he never seemed to get around to that.
11 I got X number of books, I got a bookcase, I got
12 renewals, I got new pages every year, but I never --
13 and I'm telling you seriously -- I could never get
14 him to tell me the price. Well I gave up on that.

15 MR. ELLIOTT: Maybe he didn't know.

16 MR. IRWIN: Well this is what I am
17 trying to establish.

18 MR. MACDONALD: He's waiting to see
19 how much you are going to buy first.

20 MR. IRWIN: At any rate we finally
21 decided I would take the whole works, everything.

22 MR. LETHERBY: Another gullible one.
23 (Laughter).

24 MR. IRWIN: I kept saying how much?
25 Well finally -- I wanted to see what would happen
26 here -- so finally I said I would take the whole deal.
27 So everything went down -- everything except the
28 price, mind you -- and then he said: "Just sign here".
29 There and only there did it describe, not the price
30 I had to pay but so many months at so many dollars a



1 month. So I said: "Just a minute, I want to see what
2 this works out to". I did and the price was simply
3 way -- I mean fantastically beyond what my wife had
4 been led to believe it would be. The story my wife
5 brought to me, and I said, "Fine, we will have the man
6 back and talk to him". She said this is a special
7 offer. And this is what staggered me. For \$100.00.
8 Now that is what she told me. But I finally talked
9 to the salesman and I said: "Is this true?" Well
10 yes, it's true, but if you do this you get that and
11 if you do this you get that, and so on. And the
12 price that I paid -- by multiplying out this final
13 flap business -- was \$615.00. Now how do you explain
14 it? And I relate this to your finance charge. Let
15 us assume the finance charges are exactly what you
16 say they are. What are the arrangements? Who gets
17 this \$615.00? Presumably, if what you say is right,
18 I pay \$615.00 for the total contract and it was for
19 24 months and \$1.35 a month according to what you
20 said -- no matter what the balance is. Roughly \$30.00
21 in finance charges. So somebody was getting, apart
22 from the finance charges, \$585.00. Now is that your
23 price? Is that the figure that should be included when
24 I said: "What is your cash price, your sale price?"
25 Would they have quoted me \$585.00? Why did they
26 suggest only \$100.00? Because I never, in the whole
27 business, I never heard his price. I wanted to know
28 what was the sale price, what was the cash price. Now
29 why could I not get this information and why did I
30 have to wait, have to go along with him? Because I



1 obviously couldn't get the price out of him. And
2 remember this was turned up, the bottom of the form,
3 this was turned up throughout the entire conversation.
4 Only when I finally -- mainly out of curiosity, because
5 by that time I was determined I was not going to
6 buy an encyclopedia from that man -- but in order to
7 get a look at this flap I went along with it.

8 Then, and only then, when
9 he said: "Please sign here", only then did I see the
10 flap.

11 MR. ELLIOTT: May I ask one question
12 before I attempt to answer your several questions?
13 The hundred dollars, how was this quoted?

14 MR. IRWIN: It was just quoted that
15 for a Christmas sale, you could have as a special
16 Christmas offer an encyclopedia for \$100.00.

17 MR. ELLIOTT: May I ask how long
18 ago this was?

19 MR. IRWIN: Yes, it was early in
20 September, 1963.

21 MR. ELLIOTT: I have no answer for
22 you on that \$100.00 because certainly our men know
23 prices and they are not authorized to sell in that
24 manner. Now I can't tell you whether that is the
25 exact price because I don't know what other items
26 you were purchasing, whether you were purchasing --

27 MR. IRWIN: I told him the whole
28 works, the bookcase, the annual updating, the whole
29 package. I finally decided just in order to get a
30 look at this flap I kept saying: "Yes, yes, yes, I'll



1 take it, I'll take it, I'll take it. Should you know
2 then from that what the price would be?

3 MR. ELLIOTT: I assume that would
4 be the correct price, yes.

5 MR. IRWIN: Well fine, why don't they
6 quote that?

7 MR. ELLIOTT: Roger, do you have an
8 answer for that?

9 MR. GRAVER: Yes. First let me say
10 that we do not have that type of operator in 1964.
11 (Laughter).

12 MR. IRWIN: You did have in 1963.

13 MR. GRAVER: There are certain aspects
14 to a holiday offer, which you had, but not to that
15 extent by any means.

16 MR. IRWIN: That doesn't explain why
17 I was made the offer.

18 MR. GRAVER: Yes. I can't explain
19 that either. The \$100.00 -- occasionally we find
20 out that there has been perhaps a misunderstanding
21 about an amount mentioned. I say that in all fairness
22 to perhaps the representative involved.

23 MR. IRWIN: I want to clear up one
24 point. I may have misled you a little because I
25 wanted to see your reactions. This occurred at your
26 booth at the Canadian National Exhibition. So it
27 could not be put off on the basis that here is an
28 irresponsible salesman approaching you over the tele-
29 phone or at your home. This was your booth at the
30 Canadian National Exhibition.



1 MR. GRAVER: I would like to correct
2 this. I did not refer to this person as an
3 irresponsible representative, however.

4 MR. IRWIN: Why do you hesitate
5 to refer to him as such? Wasn't he?

6 MR. GRAVER: Well, my comment was
7 occasionally there are misunderstandings in communi-
8 cation. I would consider this different from calling
9 this particular person irresponsible. I am not
10 familiar with it right on the scene.

11 I would like to refer to the
12 flap. The portion that is folded, Mr. Irwin. There
13 is a portion that is folded and copy or writing on
14 this flap refers to an insurance agreement on one
15 side that should something happen during this period,
16 up to 30 months, such as fire or an act of God or
17 theft within the subscriber's home, that a replacement
18 is made. There is an insurance agreement. On the
19 other side it is for internal use where there are
20 monies listed for amounts of pay-out earned by the
21 representative on that particular transaction.

22 MR. IRWIN: May I correct you? You
23 may be referring to another form than the one I saw.
24 But underneath the flap was only that I undertake
25 to pay so many dollars per month for so many months and
26 so on and so on and so on. Now I suggest that, in
27 order to clear up this point, that I go back and find
28 out what form you are now using and if that is in
29 any way different than the form you were presenting
30 to the public in September, 1963 at the CNE, then it is



1 cleared up. But I assure you that that is what it
2 said. This was the contract which I saw -- my name,
3 what I was getting, the whole works. Only here
4 under the flap was the amount I actually paid, and
5 not worked out in total dollars but so many dollars
6 each month for so many months.

7 MR. GRAVER: As a matter of fact
8 I am very familiar with our forms, our contract
9 forms, in fact quite proud that it is spelled out
10 quite well on the agreement. In fact we instruct
11 our people in their training and in their retraining
12 to not only go over this agreement completely filled
13 out before there is any signature affixed by the
14 subscriber, but --

15 MR. IRWIN: I am not for a moment
16 denying that had I signed that form and then looked
17 at it it would be just the same. Everything I needed
18 to know would be on it. But I never saw this part
19 of the form.

20 MR. LETHERBY: It was tucked in under?

21 MR. IRWIN: Well, it wasn't actually
22 tucked in under, it was a form about this long and
23 folded up and I kept saying to the man I wanted to
24 open it up but he managed one way or another to
25 prevent me from opening it up. Now the interesting
26 thing too was that this part of the form was already
27 filled out. And I saw the figures when I finally
28 said: "Yes, I'll take it". Then he said: "Sign
29 here. Now that part was already filled out and he
30 had not filled it out in my presence. So he must have



1 filled it out before.any of the upper part of the
2 form was filled in from information I gave him.

3 MR. GRAVER: That could well happen
4 if this took place at the CNE which in effect
5 would be a special exhibit offer.

6 MR. IRWIN: Well, it wasn't very
7 special at \$615.00 was it?

8 MR. GRAVER: Well on that particular
9 offer in 1963, depending on the amount of merchandise
10 and the extent of the programme that was to be on
11 this agreement, it could well have been and undoubtedly
12 was an extremely special offer.

13 MR. IRWIN: Then what would it be
14 in the ordinary offer? If \$615.00 was a special,
15 what would I have paid if it hadn't been a special?

16 MR. GRAVER: Well, it depends on what
17 merchandise we are talking about.

18 MR. IRWIN: Well, the Encyclopaedia
19 Britannica -- how many volumes do you have?

20 MR. MACDONALD: What is the basic
21 cost of the Encyclopaedia Britannica?

22 MR. GRAVER: It depends on the binding,
23 Mr. MacDonald.

24 MR. MACDONALD: What are the basic
25 costs, then, with different bindings.

26 MR. GRAVER: The basic cost, or
27 selling price?

28 MR. MACDONALD: Selling price.

29 MR. GRAVER: Selling price. The basic
30 is \$325.00.



1 MR. MACDONALD: With one binding.
2 What are the variations with different bindings?

3 MR. GRAVER: There is an additional
4 binding at \$405.00, and an additional binding that
5 is slightly in excess of \$1,000.00.

6 MR. IRWIN: Is that a Moroccan
7 binding?

8 MR. GRAVER: That's correct.

9 MR. IRWIN: Yes, he explained that.
10 This was just the -- well, I couldn't tell you whether
11 it was a \$300.00 binding or a \$400.00 binding.

12 MR. GRAVER: We have some audio-
13 visual material which is occasionally included in
14 our sales that would well, for the value received,
15 would well run up to the price that you mentioned.
16 And also some of our program learning equipment would
17 be included. You see, for the precise merchandise
18 to which you have been referring, I would be glad to
19 have that reviewed. It sounds to me like you certainly
20 would have received quite a complete programme,
21 obviously, for that price.

22 MR. IRWIN: Being not satisfied, I
23 think you will still have to explain why it was
24 suggested to my wife that you could get this special
25 offer of the Encyclopaedia Britannica -- now I suggest
26 to you that because the Encyclopaedia Britannica is
27 so well known that the salesman must have known that
28 when he quoted that price to my wife she was thinking
29 of your full volumes from A to Z. I would imagine this
30 is true. I mean, you weren't talking about one volume,



1 I'm sure, you were talking about your whole kit.

2 Surely if -- I don't know how many volumes there are --

3 MR. GRAVER: Twenty-four volumes,
4 in the basic library.

5 MR. IRWIN: This is what, when you
6 say to a person that you want to sell them an
7 Encyclopaedia Britannica, at least bascially you are
8 talking about that 24 volume set.

9 MR. GRAVER: That's correct.

10 MR. IRWIN: In at least a standard
11 binding.

12 MR. GRAVER: That's correct.

13 MR. IRWIN: Therefore if you suggest
14 that you can have all this for \$100.00, a 24 volume
15 set of the Encyclopaedia Britannica, and not a ten
16 year old set but a current set. This is one question
17 I think we should try and resolve. Why was this
18 suggestion made? How can you account for the suggestion
19 that a person might receive 24 volumes for \$100.00
20 and end up paying \$615.00. The second thing that I
21 think we should resolve is why was the flap turned up
22 and I couldn't get access to it by one means or another,
23 either verbally or visually determine how much I was
24 finally going to pay. And the third thing is why
25 was it filled out before I was asked to sign it.

26 MR. GRAVER: That could happen at
27 an exhibit, from the standpoint of saving time and
28 the number of people who stop by the booth.

29 MR. LETHERBY: You are not in your
30 home though, Mr. Irwin.



1 MR. SEDGWICK: Wasn't there any
2 conversation?

3 MR. IRWIN: Yes. You see we were
4 just passing through the Exhibition.

5 MR. SEDGWICK: So he filled it out
6 while you were there.

7 MR. IRWIN: He didn't fill out this
8 flap part, no.

9 MR. SEDGWICK: How could he know
10 your name?

11 MR. IRWIN: My name wasn't on that
12 part. Let me demonstrate. We were walking by and
13 we see the Encyclopaedia Britannica. I passed by and
14 had gone on to look at something else but my wife
15 and my son stopped to look at the encyclopaedia --
16 don't think I am criticizing the Encyclopaedia
17 Britannica, it's a tremendous book -- but then my
18 wife came along right after this and said: "Come on
19 back. This man is suggesting something very interesting.
20 He says that we can get the Encyclopaedia Britannica
21 for \$100.00, a special Christmas deal". I said: "Fine,
22 I'd like to talk to him". So he produced one of these
23 forms, with the flap turned up. This is all the point.
24 Then he started asking, what is your name, where do
25 you live, how many children -- and he filled that in.
26 Then at the end we get to the flap and this is already
27 filled in. You try and explain all that.

28 MR. GRAVER: You mentioned, Mr. Irwin,
29 about it being well known and I think that we accept
30 this as quite a responsibility too, to see that the



1 representation is in keeping with the reputation.
2 There is no question about it, the training of
3 people is quite an important element in our whole
4 sales picture of Britannica. And it is occasionally,
5 through constructive comments such as you pose this
6 morning, believe me, that we are able to keep our
7 training on the right track for the protection of
8 not only our people, but most certainly for members
9 of the public that we approach. I would like to say
10 that very strongly for Britannica recognizing in
11 the minds of particularly so many professional people
12 the reputation of Britannica is most important, most
13 important that we take cognizance of comments such as
14 you have given.

15 MR. IRWIN: I don't care about my
16 comments, I'd like to hear yours.

17 MR. GRAVER: We do care about your
18 comments.

19 MR. MACDONALD: Did you have an offer
20 at the CNE of a \$100.00 Christmas Encyclopedia
21 Britannica.

22 MR. GRAVER: If this in fact was the
23 offer that was made I would disclaim the offer.

24 MR. MACDONALD: You see, the thing
25 that disturbs me, if I may intervene here, the thing
26 that disturbs me is your attitude and reaction to this.
27 You have said, I don't want to criticize the salesman
28 and so on. Now this wasn't some salesman that you
29 might not identify -- he was in the CNE -- he was one
30 of your top men and he was assigned to the job



1 and everything else. And you are attempting to defend
2 something which falls into the category of racketeering
3 that was quoted in Time Magazine in the States, in
4 these sales. Now, did you have an offer of \$100.00,
5 is this kind of thing permitted?

6 It's idle for you to come to
7 us now and say you are glad of this constructive
8 criticism. You will weave it into your methods for
9 training your men in the future. Do you tolerate
10 this kind of thing? That's the question I'd like to
11 put owing to Mr. Irwin's query.

12 MR. SWANSON: May I answer that? First
13 to go back. We did not authorize, to my knowledge,
14 any place at any time for \$100.00 for Britannica.

15 MR. MACDONALD: Now we're getting
16 somewhere.

17 MR. SWANSON: At the CNE it is very
18 unlikely that we would even suggest the Christmas offer,
19 because it is far in advance of it and --

20 MR. IRWIN: Are you denying what I
21 just said?

22 MR. SWANSON: No. I'm just saying it
23 was not authorized.

24 MR. MACDONALD: Well, why didn't you
25 spontaneously say you were very puzzled to find this
26 is happening and we will look into it?

27 MR. SWANSON: Well, unless I know the
28 name of the salesman it would be quite difficult to look
29 into it.

30 MR. MACDONALD: Would you have many



1 | salesmen assigned to it?

2 MR. SWANSON: Yes.

3 MR. IRWIN: Well, maybe I can help you.
4 I'll identify the sale -- I can't right now but I
5 think I can remember -- I can also identify the time
6 and you can from that by your schedules of who was
7 on the booth can identify the salesman. We can follow
8 it up if you are serious.

9 MR. SWANSON: Well we certainly are
10 serious. I can say personally that I have read every
11 piece of correspondence for some period of time that
12 comes into our company and this is part of our service.
13 I know every single complaint that is made and how
14 they are handled.

15 MR. IRWIN: I didn't make any
16 complaint.

17 MR. SWANSON: No. I'm saying though
18 that these are handled whenever we receive them, a
19 specific complaint. But the men are not authorized
20 to make an offer of this type nor are they authorized
21 to make a Christmas offer at the CNE.

22 MR. IRWIN: Excuse me, I'm going to
23 make one other comment for your own sake. Your former
24 Sales Manager is a good friend of mine and I confirmed
25 with him that this could happen, the whole three things.

26 MR. SWANSON: Could you explain as to
27 why he confirms it?

28 MR. IRWIN: I think we had just better
29 leave it there.

30 MR. MACDONALD: It is not only another



1 isolated incident, Mr. Chairman, but I want to emphasize
2 the point I made this morning. The spokesmen for the
3 company here this morning confirmed that you are not
4 apparently determined to vigorously root out this
5 kind of situation. You initial reaction was to defend,
6 you didn't want to be critical of the representative.
7 Now other people have come and when we gave them
8 evidence of the kind of thing that happened they
9 said, we weren't aware of it but we will certainly
10 look into it. This kind of thing we don't authorize.
11 Your initial reaction was to defend them.

12 MR. SWANSON: Well, Mr. MacDonald,
13 we do take action against people, against representatives
14 where there is, if there is established cases of
15 misrepresentation or anything that is irregular. I
16 can assure you we do take action. Perhaps my reaction
17 -- perhaps I hadn't made myself clear in my reaction
18 because I think in fairness to both sides concerned
19 that the facts as much as possible should be understood
20 and I like to listen first to get the facts --

21 MR. MACDONALD: But it took ten
22 minutes to get from your colleague the fact that there
23 was no \$100.00 Christmas offer and you must have been
24 aware of this.

25 MR. SWANSON: May I interject one
26 point, that neither Mr. Graver nor myself were here
27 at that time. We are both newly assigned to our
28 responsibilities as far as the Canadian operation and
29 I can only say that I am sure that the Company would
30 not have authorized this at that time. Now I'm not



1 saying that the man didn't do it, but until we
2 find out the specifics --

3 MR. MACDONALD: It just goes to
4 confirm how serious are the kinds of practices that
5 can emerge when you are selling encyclopedias, in
6 this instance a very reputable encyclopedia, when
7 the salesman was a salesman at the CNE and doing
8 this kind of thing. I think it's a very serious
9 matter. And this, incidentally, is why this Committee
10 is in operation. This is the reason why I am puzzled
11 when you come up and say you are opposed to a waiting
12 period. All of the information you put down here
13 would lead me to the conclusion that you should have
14 no objection to a waiting period, that in effect you
15 have a waiting period not with all the checks and
16 balances. If it isn't going to create a problem for
17 you why would you object to a waiting period?

18 MR. SWANSON: Only from the standpoint
19 that the subscriber wants the delivery of the
20 merchandise.

21 MR. MACDONALD: Well, the delivery
22 of the merchandise for a four day waiting period -- if
23 he hasn't had the encyclopedia --

24 MR. SWANSON: Adding four days on -- I
25 can tell you in some instances that people demand
26 delivery within a week.

27 MR. MACDONALD: Well, all you say is
28 that for protection of yourself as a reputable company
29 trying to cope with the fly-by-nighters and racketeers
30 in the business, or the odd person who in your own



1 sales is indulging in the same practices, I would
2 think you would welcome any waiting period so that
3 you could be guaranteed that people aren't being
4 victimized by slick selling procedures. You have got
5 a very good case here for a waiting period because
6 it causes no problem for you, and yet you come to
7 the conclusion that you don't want a waiting period.

8 MR. SWANSON: We have our own waiting
9 period.

10 MR. MACDONALD: I know, and therefore
11 it ought to make no difference of any serious account.
12 Okay then why do you oppose it?

13 MR. SWANSON: Because we would have
14 to explain to the subscriber why we are delaying the
15 merchandise being shipped.

16 MR. MACDONALD: Well all I am saying
17 that if a subscriber at age 30 or 40 doesn't have
18 an Encyclopaedia Britannica he certainly isn't going
19 to be seriously deprived if he has to wait for four
20 days.

21 MR. LETHERBY: If the bloke hasn't
22 been reading for forty years another four days isn't
23 going to hurt.

24 MR. MACDONALD: That's the point I
25 was trying to make, Mr. Letherby.

26 THE CHAIRMAN: Mr. Whicher, do you
27 have any questions?

28 MR. WHICHER: Well, the first thing
29 I would like to say -- it's been very interesting the
30 past ten minutes. I would certainly like to congratulate



1 you on your finance charges -- 6%. I wish you would
2 get into the automobile business, quite frankly, if
3 you finance that way. Is this actually enough to
4 look after your cost of money?

5 MR. SWANSON: It looks after the
6 cost of the money only.

7 MR. WHITE: On that point, Mr. Whicher,
8 you know the service charge and the price have to be
9 considered together. I mean if the books are \$20.00
10 a piece or more, you have a service charge of 1%
11 simple, per year. It wouldn't prove very much. And
12 the books run up to nearly \$50.00, so you have to
13 be a little skeptical of the true cost of credit on
14 things like this. You have got to consider not only
15 the interest as stated but also -- and this goes back
16 to some of the objections raised by other witnesses --
17 that disclosure of the interest rate would put some
18 of these costs into the price. Likely that is what
19 would happen here.

20 MR. WHICHER: I wanted to ask you --
21 you enter my home and I sign, my wife and I sign Monday
22 evening and the order is sent into Toronto, and then
23 you verify this by telephone. And supposing I say:
24 "Well, I signed last night but we have decided we
25 can't afford it and I want to be relieved of the
26 contract". Would you relieve me?

27 MR. SWANSON: Yes. We would then
28 advise the representative who called on you that you
29 have asked to be relieved of the deal. He will have
30 on his own initiative the opportunity to call you back



1 and re-sell you on this. We would then verify it
2 again to make sure that you had agreed. If you do
3 not reset the offer we would not call back.

4 MR. WHICHER: Well you could sue me
5 because I have signed.

6 MR. SWANSON: Well, we could, but
7 we wouldn't. We never do that.

8 MR. WHICHER: That's all I have.

9 THE CHAIRMAN: Mr. Bukator, any
10 questions?

11 MR. BUKATOR: In Mr. Irwin's case,
12 such as it was, I could say if, but it is no doubt
13 true because the man said so. I can't understand,
14 like Mr. MacDonald, why they would be so opposed to
15 the four day waiting period. They have it anyway.
16 This is a good illustration of why there should be
17 a four day waiting period on any contract, simply
18 because some high pressure fellow finally turns the
19 thing up and says sign it. You have said yes up
20 to this point and you sign. You have bought \$600.00
21 worth of something that you thought you were getting
22 for \$100.00.

23 MR. MACDONALD: Mr. Chairman, I have
24 a couple of questions that perhaps we should have asked
25 the previous witness because it would deal with the
26 whole company, not just Encyclopaedia Britannica, and
27 perhaps we can refer to Mr. Elliott when we want the
28 broader issue. How significant is the turn-over in
29 your sales? Is there a big turn-over in salesmen?

30 MR. SWANSON: Yes. I don't know whether



1 I can put it in terms of a percentage, but it is a
2 high turn-over. There are a lot of men who are not
3 successful in selling on a straight commission basis.

4 MR. MACDONALD: Well let me get then
5 to the commission. We had magazine representatives
6 before us and they quoted that of the quoted subscription
7 price on an average 70% went to the salesman. Is
8 it asking too much of a trade secret to say what
9 percentage of your selling price goes to the salesman?

10 MR. SWANSON: I would say that of the
11 selling price -- and I'm talking about a pay-off here
12 to a sales organization, is approximately 39%. Now
13 when I say sales organization you must take into
14 consideration the Division Manager, the District Manager
15 and representatives. So that that is split.

16 MR. MACDONALD: So that with a basic
17 set of Encyclopaedia Britannica with minimum binding
18 is 300 -- what was the price quoted?

19 MR. SWANSON: 324, I believe.

20 MR. MACDONALD: \$324.00. Did you say
21 the commission would be 39% that would go to the
22 whole sales organization?

23 MR. SWANSON: Right.

24 MR. MACDONALD: What percentage would
25 go to the man who actually knocked on the door and
26 made the sale?

27 MR. SWANSON: This again is variable
28 but approximately 22%.

29 THE CHAIRMAN: Mr. Oliver? Mr. White?

30 MR. WHITE: I notice in your letter,



1 to Mr. Harcourt, that you make reference to a practice
2 that previous witnesses have described, and that is
3 verifying orders. Would you verify one order in ten
4 or five in ten or ten in ten? How does that work?

5 MR. SWANSON: Ten in ten. I should
6 emphasize, and I think this goes along with one of your
7 other questions which was not asked, but if I may
8 interject here -- there is another reason for
9 verification than to test the salesman who has
10 performed a misrepresentation. We pay this commission
11 percentage out immediately and we want to make sure
12 that when we pay that commission out that it is paid
13 to the man who deserves that commission. In other
14 words, we want to make sure that there is a sale.
15 Even school library sales -- when we sell schools we
16 will not give out that commission until we have an
17 authorized letter or purchase order from an authorized
18 person at that school. Because anybody could make up
19 an order.

20 MR. WHITE: Well that really draws
21 attention to a point that I want to make. If you
22 verify orders sent to you by salesmen it can only be
23 because you have experience over the years, and one
24 or two are unscrupulous. There would be no other
25 reason for verifying orders of the customer.

26 MR. SWANSON: Also for the customer's
27 satisfaction to know that they are getting the
28 merchandise at the correct price and so forth.

29 MR. WHITE: Verification of orders
30 is not necessary in any sales organization where high



1 pressure tactics are not permitted. They are needed
2 in those organizations where high pressure tactics
3 are permitted or encouraged.

4 MR. GRAVER: The transaction in our
5 business takes place -- if I may acknowledge that --
6 the transaction in our business takes place many times
7 in the home so that the verification we find -- in
8 fact our people that do verifying many times tell
9 of the very favourable reaction, that they were so
10 pleased to get this verification or they thought it
11 was quite a fine gesture that a company would telephone,
12 in most cases where we can do it by telephone, to
13 verify it.

14 I would like to say, if I am
15 permitted within the scope of the comments here this
16 morning, that it would almost seem that the people
17 doing the representing in our industry perhaps might
18 be in this general classification that you mention of
19 unscrupulous or high pressure. I hope not. I hope
20 that is not the case.

21 MR. WHITE: That's why you men were
22 sent up here to Canada.

23 MR. GRAVER: Well the reason I mention
24 this is that it is so unfair to the many men in our
25 organization and certainly within our other member
26 companies of the Association, to have them and perhaps
27 indirectly their families have this label of high
28 pressure or unscrupulous representatives.

29 MR. MACDONALD: Therefore you should be
30 very willing to root out vigorously --



1 MR. GRAVER: I couldn't agree with
2 you more, Mr. MacDonald. And believe me -- not only
3 I personally but I speak for Britannica -- we wouldn't
4 shy or back up an inch in taking remedial action.
5 And these are not just words being said. We have an
6 industry that we hope will attract the right type of
7 people, the right type of representation. I like to
8 think myself this is the type of business, whether I
9 were in some other profession or in the selling
10 profession, specifically in our direct consumer
11 industry, is this the type of business I would like
12 to have my boy come into. So I couldn't agree more
13 that any action where and as it's necessary should be
14 taken.

15 MR. WHITE: If the problem is less
16 widespread than I believe why do you find it necessary
17 to verify orders of these allegedly reputable men who
18 have been in your employ for many years, if this is
19 not a policy of the company. Why do you have to verify
20 the orders of men who have been in your employ for
21 many years?

22 MR. GRAVER: Well, we have a long
23 standing company policy to which -- which we follow
24 in our organization -- a long standing company policy
25 of 100% order verification, so that the subscriber,
26 in addition to having their copy of the agreement,
27 there is an understanding that -- if there is a
28 dictionary, we have a two-volume dictionary -- this
29 again is explained that there is a two volume dictionary
30 where they have maybe been confused that it was one



1 volume. Or if there is any question with regard to
2 any phase of their programme that they are to receive.
3 They may have seen perhaps another illustration of
4 another product, another piece of merchandise that
5 they were not subscribing to in the programme they
6 purchased and perhaps they might have thought,
7 secondly, that they would like to have that too. We
8 find this on some verifications.

9 MR. WHITE: Is there any attempt
10 made when you are verifying the order to sell them
11 something additional?

12 MR. GRAVER: No, no.

13 MR. WHITE: As you will undoubtedly
14 know from your experience in the sales field, there
15 are ways of cancelling orders -- I mean to say the
16 fact that a company will accept a cancellation from
17 a customer does not in itself mean a great deal. This
18 cancellation is accepted only when the customer
19 charges fraud or threatens legal action or some such
20 thing. And I must say that I am not impressed at
21 the evidence given by you gentlemen with respect to
22 the small percentage of cancellations experienced.
23 That would indicate to me that this so-called cooling
24 off period of two days does not permit the customer
25 easy cancellation of a contract but rather that
26 cancellations are accepted during the cooling off period
27 only when the customer makes a very determined effort
28 to get out of the contract. And for that reason I do
29 not think the argument holds that this cooling off
30 period nullifies the need for a legislative cooling off



1 period. Would you like to make any remarks about my
2 comments?

3 MR. GRAVER: What you are saying is
4 that during the phone call the customer says: "I
5 would like to cancel", they don't in fact allow him to?

6 MR. WHITE: That's my guess.

7 MR. GRAVER: Of course that would
8 perhaps presuppose that there are many more people
9 than the percentages indicated who desire to cancel.

10 MR. WHITE: Is that the case?

11 MR. GRAVER: I would say not. I
12 would say not. We are talking about very few people
13 numerically out of the total number of people who
14 are very happy subscribers.

15 MR. WHITE: Did you say 2%, or was
16 that the previous one?

17 MR. GRAVER: That was the previous one.

18 MR. WHITE: What is your percentage?

19 MR. GRAVER: It would be approximately
20 that.

21 MR. WHITE: Well that makes me
22 conclude that cancellation is not easily obtained during
23 that 48 hours. There are so many customers in almost
24 every line of endeavour who have second thoughts and
25 I think the 2% must represent that portion who are
26 determined to get out of the contract.

27 MR. GRAVER: We don't find it to be
28 that way, that there are any numbers above this who
29 attempt to cancel and through some action on our
30 part, people in the organization, it results in such that



1 it doesn't show up in these percentages.

2 MR. WHITE: Do you find at a later
3 date, even after you have confirmed the order, do
4 you find at a later date people say they want to cancel?

5 MR. GRAVER: Very rarely.

6 MR. WHITE: After a week or so they
7 thought it over, or two weeks, and they --

8 MR. GRAVER: Not very often, no,
9 not very often.

10 THE CHAIRMAN: Mr. Kerr? I think you
11 have probably discussed whether or not the order form
12 used by Encyclopaedia Britannica contains an interest
13 rate. You don't actually show an interest rate, do
14 you, on your order forms?

15 MR. GRAVER: No. It states the amount
16 per month over the life of the contract. That is the
17 way it is stated, a budget term charge plus \$1.35 per
18 month.

19 MR. KERR: From your submission I
20 assume that you wouldn't object to showing an interest
21 rate. Is that correct?

22 MR. SWANSON: That's correct, yes.

23 MR. KERR: I have a form in front of
24 me -- yours may be different. Does the ownership of
25 the goods remain with the company until the charge
26 is fully paid for?

27 MR. SWANSON: No. In our case it
28 does not.

29 MR. KERR: Do your sales representatives
30 carry on any contests or bonus type of selling whereby



1 they may go into a neighbourhood and go to a particular
2 house, apparently it is always the leading citizen
3 in the area type of thing. They say: "If you will
4 allow us to place a set in the living room" -- and
5 if they are able to sell so many sets in the area
6 this set may go to the customer free of charge
7 eventually?

8 MR. SWANSON: No. We have an
9 arrangement whereby -- we call it a cooperative
10 programme -- where if they will give us four names
11 as referrals and let us use their name as having
12 referred them, we will at that time give them
13 additional, what we call premiums. But there is no
14 arrangement that they would get a free set.

15 MR. KERR: Would you sometimes
16 include a free bookcase or anything like that?

17 MR. SWANSON: Yes, that's what I
18 told you. There is an opportunity to collect a
19 premium.

20 THE CHAIRMAN: Mr. Hamilton? Mr.
21 Sedgwick? Mr. Rowe? Mr. Letherby?

22 MR. LETHERBY: Mr. Chairman, I think
23 these gentlemen have an excellent educational product
24 to sell and they are comparatively new at their job,
25 aren't you? You haven't been there for years?

26 MR. SWANSON: Well, I haven't been
27 here for years, but I've been with Britannica, and
28 Mr. Graver has, for several years.

29 MR. LETHERBY: The thing that more or
30 less startled me for the moment was the factual



1 experience that Mr. Irwin had with this situation
2 at the Exhibition. I would take it for granted that
3 if Encyclopaedia Britannica is going to set up a
4 booth at the Exhibition they are going to have top
5 men there who know what the deal is and what they
6 can offer and what they can sell. Then the occasion
7 came along, like Mr. Irwin said, where he and his
8 wife were led to believe that they could buy this
9 marvelous encyclopaedia for \$100.00, and then when
10 they flip over the other page it's \$600.00.

11 We have been, more or less, in this
12 Committee trying to ferret out and condemn those
13 people who don't adhere to good selling ethics. This
14 is something that I think should be carefully
15 considered by your own people and don't have any
16 bloke go down there and stand up with his hair parted
17 and grease on it at the Toronto Exhibition and sell
18 something that is understood to be at \$100.00 and
19 then when you turn over the flap it's \$600.00.

20 Now I have -- living in a rural
21 area more or less -- I had a couple call me -- this
22 is some years ago -- and they wanted some advice. They
23 had been sold an encyclopaedia by some good selling
24 agents and they said: "Now we don't read or write;
25 what are we going to do?" (Laughter).

26 This is not a criticism, sir, of you
27 or your product. I know it is excellent. I happen to
28 have one of my own. It's just the matter that Mr.
29 Irwin brought up. I thought if you don't smarten up
30 your sales force you should be penalized insofar as this



1 two and a half day -- somebody could put it down as
2 two days at four o'clock in the afternoon down there.
3 If you can't stand four days -- any bloke, as I said,
4 who hasn't been reading the encyclopaedia for forty
5 years, give him another ten days. (Laughter).

6 THE CHAIRMAN: Mr. Reilly?

7 MR. REILLY: Well, Mr. Chairman, there
8 is one other observation. Mr. Whicher has indicated
9 he wished they had money in the used car business
10 or new car business at this rate. Another member
11 of the Committee has asked the question whether they
12 would object to showing a percentage of interest
13 in connection with the sale of the books. They would
14 have no objection whatsoever, they would be glad to
15 show a 6% rate, they would be glad to show a percentage
16 rate on that. But this is where misinformation comes
17 in because the true costs of credit are not shown.
18 This is where they can bury the cost and this is
19 where we would be doing an injustice to other
20 merchandisers. I just want to make sure that this
21 point is clarified.

22 THE CHAIRMAN: Mr. Irwin, do you have
23 a further question?

24 MR. IRWIN: Well, Mr. Chairman, I just
25 wanted to ask, referring to your current sales policy
26 and you training session with your salesmen, which I
27 know from my friend are held quite regularly and are
28 done on a very scientific sales approach basically.

29 Assuming that my experience is
30 past history, let's say currently are your salesmen



1 being advised to use the approach of suggesting to
2 the customer that here is some special offer which
3 on the face of it is intended to leave with the
4 intentional buyer the impression that he is going to
5 get a very special bargain if he buys now. And if
6 so, if you have such a programme currently underway
7 would you describe it to us. If you have any of these
8 types of approach, these special deal approaches. What
9 would they be right now? What would be the rock
10 bottom price now being suggested to your salesmen
11 to offer to the customer as, say, an encouragement
12 to the customer to become interested? Would you
13 care to say what your current programmes are? Let's
14 take the last six months. Has there been such
15 programmes?

16 MR. GRAVER: On specific occasions
17 such as the Exhibition, where we have had special
18 offers and do usually at the Exhibition of the nature
19 of the CNE or BNE or other types of exhibitions where
20 we may make something of a special nature. Also
21 perhaps a purchase plan at a holiday period which
22 again within our industry, depending on member
23 companies, they too may have offers of a holiday
24 nature.

25 MR. IRWIN: Well, how about being
26 specific about it? What is the current offer, let's
27 say?

28 MR. GRAVER: Well from the standpoint
29 of a holiday or Christmas offer, purchases up to a
30 certain date the first instalment could be at a date



1 beyond the normal first instalment date.

2 MR. IRWIN: But no reduction in
3 price?

4 MR. GRAVER: That's correct.

5 MR. SWANSON: And I might mention
6 at these exhibits -- I can think of one specific
7 example where we will have an exhibit at a medical
8 convention. We specifically select a premium, which
9 happens to be our 1964 Yearbook in which there is
10 an article on new genetics by Dr. Beadle of the
11 University of Chicago. We feel that this is an
12 attractive premium to offer with this at no additional
13 cost to this special group. That's why we try to
14 select, wherever possible, premiums that are of
15 interest to people to attract them, at no change
16 in price.

17 MR. IRWIN: In other words, the
18 salesman, when he makes his approach to a customer,
19 knows beforehand that the price is so much and one
20 way or another he is going to get this price. If there
21 is to be any special encouragement to the buyer, in
22 fact, not by what may be said but in fact there is
23 going to be any special encouragement to the buyer,
24 it would be in the form of extra service or deferrment
25 of payments --

26 MR. SWANSON: Only on the Christmas
27 offer is it that way.

28 MR. IRWIN: I'm just determining what
29 you said, that there is always the price, that this
30 doesn't change. The salesman knows he is to get this



1 price and if there is a special campaign or
2 special inducement being offered to the buyer it
3 would be, as company policy, in the form of an
4 additional service or deferred payments. Is that
5 fair to say?

6 MR. SWANSON: Yes, sir.

7 MR. BUKATOR: Mr. Irwin, did you
8 ask for the price of the encyclopaedia now? Did you
9 ask?

10 MR. IRWIN: I haven't asked, no.
11 What is it?

12 MR. SEDGWICK: Is the cash price
13 a special figure?

14 MR. REILLY: Mr. Chairman, if I
15 understand from the answer to Mr. Irwin's question
16 that if an Encyclopaedia Britannica now sells for
17 \$324.00 and that the salesman must get \$324.00 for
18 it, and that he's not allowed to take part of the
19 22% or the \$71.00 he makes and reduce the sales price
20 and cut part of his commission. Is this correct?
21 He must adhere to a sales price?

22 MR. IRWIN: Could I ask a further
23 question on that to pin it down. You are saying
24 that the cheapest binding that you offer is what? --
25 \$324.00 for 12 volumes, and your next price is \$415.00
26 for 12 volumes. We will leave out the Morocco binding.
27 I would like to ask you to submit to the Committee
28 five photocopies of actual contracts you have in
29 your files identical in nature -- that is so there
30 are no extras on this one as compared to that one --



1 pick out five at each price, the 324 set and the 415
2 set -- five actual contracts including the monthly
3 payments times the number of months for the identical
4 sets and submit that to Mr. Harcourt. Could you do
5 that?

6 MR. SWANSON: There would be absolutely
7 no problem.

8 THE CHAIRMAN: Mr. Whicher?

9 MR. WHICHER: How many salesmen do
10 you have in Ontario?

11 MR. LETHERBY: They come and go, you
12 see, you've got to figure on that.

13 MR. WHICHER: I know, but --

14 MR. GRAVER: Approximately 65.

15 MR. BUKATOR: Mr. Chairman, it was
16 mentioned that these two men have not been with the
17 company here too long. Where did they come from?

18 THE CHAIRMAN: Yes. Would you care
19 to tell us your previous histories?

20 MR. GRAVER: I have been with
21 Britannica seven years, having worked for Britannica
22 in the United States and England and Ireland before
23 coming here.

24 MR. SWANSON: Mr. Graver was Sales
25 Manager in Ireland before he came to Canada. I was
26 in Chicago working as Vice-President with International.

27 THE CHAIRMAN: I see, they move you
28 around frequently.

29 MR. BUKATOR: The tactics they spoke
30 of in Time Magazine. Did you read those accounts in



1 Time Magazine pertaining to high pressure selling?

2 MR. GRAVER: I don't know the
3 article -- I'm not familiar with this article. Did it
4 refer to a company or to a business or --

5 MR. BUKATOR: Mr. White, I believe,
6 Mr. White mentioned the fact that in Time Magazine
7 there was quite an article on the tactics they use
8 in selling books -- was it that particular group
9 or did they make reference to others?

10 MR. WHITE: There is a book on the
11 market attacking the quality of the encyclopaedia
12 and it may be that the (next words inaudible).

13 MR. IRWIN: Mr. Chairman, I would
14 just like to clarify my previous question. In asking
15 for the five in each price range would you insure that
16 no one of these customers is a teacher, university
17 professor, librarian or connected in any way with
18 any educational institution?

19 MR. SWANSON: I'm not sure of the
20 purpose of your question, but I'll --

21 MR. IRWIN: The purpose is that I do
22 know that as a teacher -- and I taught for many years
23 at the University of Toronto -- that I can get your
24 encyclopaedia as a teacher for around \$300.00.

25 MR. SWANSON: Yes, but you would not
26 get a new set.

27 MR. IRWIN: Well, I would have to
28 correct you on that. Just the same let it be not a
29 teacher, not a university professor or anyone connected
30 with an educational institution. Let it be householders



1 in residential areas not classified as connected
2 in any way with education.

3 THE CHAIRMAN: Are there no further
4 questions? Well I think the Committee would all agree
5 with the association brief which we heard earlier on
6 the value of the works which their members are selling
7 to the public. Any family who owns any of these
8 publications is very fortunate indeed. They may
9 be worth every cent they pay for them and many times
10 more.

11 We thank you for being with
12 us this morning.

13 We will now hear from Reycan
14 Aluminum Building Products Limited. Gentlemen, would
15 you introduce yourselves to the Committee?

16 MR. ELMS: Yes. My name is Elms
17 and I am with Reycan Aluminum Products, as you mentioned,
18 in the capacity of Credit Manager. Mr. Harris is my
19 assistant.

20 THE CHAIRMAN: What does Mr. Harris
21 do with the company?

22 MR. ELMS: His position is Assistant
23 to me.

24 THE CHAIRMAN: Thank you. Now do you
25 care to tell the Committee anything about your company
26 or would you prefer that we just ask a few questions?

27 MR. ELMS: Well, I can tell you that
28 Reycan Aluminum Building Products Limited is a wholly
29 owned company of Reynolds Aluminum Company of Canada.
30 We have recently got into the aluminum siding business.



1 By we I mean Reynolds. They bought this company
2 which is engaged in the business of manufacturing
3 aluminum siding and selling it.

4 We are new in the field, since
5 about the 24th of July. We are babes in the woods --
6 I'll say that -- in the field and we have run into
7 considerable problems in it such as high pressure
8 salesmen and so on. We have cleaned out our salesmen
9 and rehired a few of the ones we had before only
10 setting out certain standards by which they must
11 operate. We were quite concerned that when the
12 salesmen go knock on the door the impression was
13 that they were completely dishonest and so on.

14 Our company, as I say, is
15 associated with Reynolds Aluminum and we are interested
16 in selling our product at a reasonable price. It's
17 a good product. We don't feel that it is necessary
18 to use any high pressure methods. We try our very
19 best to control that it is not sold in that way. If
20 it is discovered then they are gone.

21 MR. WHICHER: Mr. Elms, Reynolds
22 Aluminum is the parent company -- I am not familiar
23 with the aluminum business, but they are a big company
24 aren't they?

25 MR. ELMS: Oh, yes, oh yes, they
26 are a very large company.

27 MR. WHICHER: Would they be a million
28 dollar business?

29 MR. ELMS: Oh, yes, that is correct.

30 THE CHAIRMAN: Mr. Sedgwick, would you



1 like --

2 MR. SEDGWICK: Well, not very much.
3 You have only been in the business really since the
4 24th of July, that is the aluminum siding business.

5 MR. ELMS: That's correct.

6 MR. SEDGWICK: And I believe you took
7 over a company known as Modern Home Developments?

8 MR. ELMS: That is correct. We took
9 over their problems as well.

10 MR. SEDGWICK: I was going to say we
11 have heard a great deal about Modern's sales methods
12 and apparently, indeed indisputably, they were very
13 high pressure. How do you sell? Do you have
14 salesmen on a commission basis?

15 MR. ELMS: That is correct. We have
16 salesmen on commission basis on door-to-door. They
17 sell on a commission basis various types of aluminum
18 siding, they sign a contract. The contract clearly
19 states the amount it is going to cost right at the
20 top not at the bottom and just below it, if they
21 wish to finance it, it shows the total cost.

22 MR. SEDGWICK: Total -- the finance
23 charges are separately shown, are they?

24 MR. ELMS: Yes. And then a total
25 below that. So if the cost is \$1,000.00, the finance
26 charges so much, and at the bottom of the contract it
27 also says that we agree to pay -- normally our contract
28 is over a five year period because generally it's an
29 average outlay of maybe \$2,000.00 or something like
30 that. We sell both ways, cash or credit. We do not



1 carry the financing ourselves. We just sell it to
2 the finance company and all we get is our original
3 price out of it.

4 MR. SEDGWICK: You don't get any
5 rebate from the finance company?

6 MR. ELMS: No, we do not.

7 MR. SEDGWICK: Do you sell your paper
8 with or without recourse?

9 MR. ELMS: Without recourse.

10 MR. SEDGWICK: Without recourse. So
11 that if the customer has any complaint what happens?
12 He can't take it to the finance company because --

13 MR. ELMS: Well, we have an agreement
14 whereby if the customer has any complaints on the
15 product and so on we immediately -- this is an agreement
16 we have with the finance company -- that we immediately
17 have that service.

18 MR. SEDGWICK: So the bottom of the
19 paper is without recourse, but in a sense there is
20 recourse.

21 MR. ELMS: In a sense I would say
22 there is because the finance company, if we did not
23 keep our part of the agreement, bargain, then the
24 finance company would have every right to come back
25 on us.

26 MR. SEDGWICK: But it has been said
27 that this is very high risk paper. With which finance
28 company do you deal?

29 MR. ELMS: Interprovincial Building
30 Credits is one. And we have dealt with TAC and so on,



1 but mainly with --

2 MR. SEDGWICK: Do you give any
3 guarantees to the purchaser?

4 MR. ELMS: Yes, we do.

5 MR. SEDGWICK: Is this an unconditional
6 guarantee for both material and the workmanship
7 that goes into the applying of the material?

8 MR. ELMS: No, I wouldn't say it's
9 unconditional. It's a graduated process over 20 years.
10 In other words in the early years you have a complete
11 guarantee graduated down to say in 18 years it would
12 be a, you know, a smaller percentage of what you --

13 MR. SEDGWICK: That seems fair.
14 What do you do about what are called the applicators?
15 When you sell the siding who then puts it on the house?

16 MR. ELMS: We are responsible for that.

17 MR. SEDGWICK: You do that yourself.

18 MR. ELMS: We have our men who
19 actually put it on.

20 MR. SEDGIWICK: You as a subsidiary
21 of Reynolds assume then the responsibility for the
22 workmanlike job, do you?

23 MR. ELMS: That is right.

24 MR. SEDGWICK: Do you have any
25 practice of what has been called freers, under which
26 you do a house for nothing?

27 MR. ELMS: Yes, we ran into this
28 under the old company, Modern, whereby when we took
29 over Modern there were certain contracts that had
30 never been paid for for various reasons, and in going





1 into it we found that all the salesmen had promised
2 various things and so therefore the finance
3 company with the arrangement they had with Modern --
4 I'm not too familiar with exactly what it was --
5 but the arrangement they had with Modern they did
6 not pay --

7 MR. SEDGWICK: No, but we have been
8 told that some of these people signed a contract
9 having been told that that was merely so that they
10 would permit the siding to be installed, but they
11 were not to pay any money for it.

12 MR. ELMS: Yes, freer is the term.
13 We have run into this. On ourselves we have none.
14 We try, we do everything we can from the point of
15 view of the method of sales. We describe the way that
16 we want it sold, number one. Number two, in the
17 contract we immediately have -- number one we have
18 the finance company check into the finance deal and
19 it's up to them to decide if the person is acceptable
20 from a credit point of view. Then we phone the
21 customer and we go over the contract from top to
22 bottom. We ask various questions of these customers.
23 We ask how does it read in the contract and then state :
24 "Do you understand that it's going to cost you X number
25 of dollars a month for 60 months" -- or whatever the
26 contract states. If the customer says yes, then we
27 go on with some stock questions we have: Did the
28 salesman promise you anything that is not in the
29 contract?

30 MR. SEDGWICK: Do you also get a





1 completion certificate from the customer that says
2 the job has been done and done in a workmanlike manner?

3 MR. ELMS: That is correct.

4 MR. SEDGWICK: Do you ever check
5 those to see that they are bona fide, because we
6 have been told that some of them were signed at
7 the time the contract was signed and long before the
8 job was even started. Do you ever check those?

9 MR. ELMS: Check the signatures?

10 MR. SEDGWICK: No, check to make
11 sure that the job has been completed?

12 MR. ELMS: Oh, yes. I'll be honest.
13 I won't say that we check every one, but we have
14 an installation manager and it is his job to go around
15 and spot check. He may follow the men around. They
16 don't know where he is necessarily going to be, but
17 he may walk in just as they are in the middle of a
18 job. What we are concerned with, of course, is that
19 the job is being done right.

20 THE CHAIRMAN: Has there ever been
21 any discrepancy? Have you ever found that --

22 MR. ELMS: No, we have not. We have
23 had no problem in that way. As a matter of fact we
24 get signatures every time. The job is done first
25 and the customer is happy, we have a signature. We also
26 have a two-piece sort of thing where the applicator
27 signs that he has done the thing, he has done a
28 workmanlike job. Below that is the space for the
29 customer and we ask that both the man and the wife
30 sign it, simply because we are aware that there has





1 been with the old company and in this business whereby
2 the husband is not at home and the wife might sign
3 and say it looks pretty good and then the boss gets
4 home and he's not happy with it. It really doesn't
5 hold too much from our point of view because a few
6 years hence if somebody, you know, a customer says
7 the aluminum siding at one corner has lifted or
8 something, we will send a service man back in.

9 MR. SEDGWICK: You are actual
10 fabricators of the aluminum siding then?

11 MR. ELMS: That's right.

12 MR. SEDGWICK: So that you have an
13 interest in the quality of the workmanship.

14 MR. ELMS: That's right, yes.

15 MR. SEDGWICK: Who fixes the price
16 per square? Do you fix it?

17 MR. ELMS: Yes. We fix a ceiling.
18 We put a ceiling price.

19 MR. SEDGWICK: So that the agent can
20 sell it below that figure but not above it, is that
21 correct?

22 MR. ELMS: That's correct.

23 MR. SEDGWICK: How is his commission
24 based? Is it based on the differential between your
25 minimum, your floor price, and whatever he gets?

26 MR. ELMS: Yes. It's based on the
27 difference between -- he knows what we are going to
28 charge him for it --

29 MR. SEDGWICK: Yes. And then he gets
30 the difference, which can be whatever he fixes up to the





1 maximum price?

2 MR. ELMS: That's right. We feel
3 that 135 is a fair price. We are not interested
4 in selling above that.

5 MR. SEDGWICK: Well then you mean
6 135 a square, and a square is ten by ten, isn't it?

7 MR. ELMS: Yes.

8 MR. SEDGWICK: Yes. 135 a square is
9 a fair price that you pick for the buyer to pay,
10 is that correct?

11 MR. ELMS: Yes.

12 MR. SEDGWICK: Yes.

13 MR. ELMS: We allow the salesman,
14 of course, if he feels that he wants to shave his
15 commission --

16 MR. SEDGWICK: Shave his commission
17 and sell it for 130 --

18 MR. ELMS: Then we go along with him.

19 MR. SEDGWICK: Yes.

20 MR. ELMS: As a matter of fact we
21 are quite happy to. We are interested in selling
22 aluminum.

23 MR. SEDGWICK: No, but you are going
24 to get whatever you have fixed. What is it -- 100 to
25 135?

26 MR. ELMS: Yes. He roughly gets about
27 one-third of that.

28 MR. SEDGWICK: Yes. So you are going
29 to get your 100 and he can sell at 105 or 110 up
30 to a maximum of what you think would be a fair price





1 of 135, is that it?

2 MR. ELMS: That's correct, yes.

3 MR. SEDGWICK: I don't suppose there
4 is much else we can ask you. I can't blame you for
5 the sins of your predecessor.

6 MR. ELMS: I would just like to mention
7 our company point of view. We work very close with
8 the Better Business Bureau and the Ontario Racket
9 Squad and Ontario Provincial Police and the Chamber
10 of Commerce, anybody that we can.

11 MR. SEDGWICK: And when you get
12 complaints you adjust them?

13 MR. ELMS: That's right.

14 MR. SEDGWICK: And you have direct
15 control of your applicators?

16 MR. ELMS: That is correct.

17 MR. SEDGWICK: And of your salesmen?

18 MR. ELMS: That is true.

19 MR. SEDGWICK: You are much different
20 then in your operation from Modern?

21 MR. ELMS: Oh, yes.

22 MR. SEDGWICK: Who merely bought
23 the product, I understand, then sold at a commission
24 through salesmen --

25 MR. ELMS: I will admit that some
26 of the salesmen we have were with Modern. We have
27 put enough regulations in and made it strict enough
28 that they understand that if they are ever caught
29 or if they ever try something -- well, they can't,
30 or we don't feel they can -- we have tried everything





1 we can to plug all the loopholes, but if for some
2 reason something is, there is some misrepresentation --
3 then they are quite aware that they would no longer
4 be selling for us.

5 MR. SEDGWICK: Well, Mr. Elms, do
6 you follow the practice that was explained to us
7 yesterday of sending your commissioned agents out
8 in teams of two, a canvasser and a closer?

9 MR. ELMS: Yes. At the present
10 time -- not always. We have men who go alone and
11 we have men who like to go together.

12 MR. SEDGWICK: You sell throughout
13 Ontario generally?

14 MR. ELMS: That's correct.

15 MR. SEDGWICK: Largely in northern
16 Ontario?

17 MR. ELMS: I wouldn't say largely, no.

18 MR. SEDGWICK: Do you restrict
19 yourselves geographically? That is, will you sell
20 in Kapuskasing or Hearst? Or do you only sell in
21 those places where you can discount the paper?

22 MR. ELMS: That's right. We sell in
23 any places where we can sell our paper.

24 MR. SEDGWICK: Where you can sell
25 your paper. That is very remote parts where the
26 paper may not be sold then you wouldn't be interested?

27 MR. ELMS: That is correct, that is
28 correct. Also we don't like to get too widespread
29 because of the service problem and so on.

30 MR. SEDGWICK: That is, you want to get





1 ten, twenty, thirty or forty jobs within a reasonable
2 geographical area?

3 MR. ELMS: Yes. Things may be
4 changing and centralizing in certain areas, offices
5 or -- this is only at the present time.

6 MR. SEDGWICK: Is your company
7 wholly owned by Reynolds?

8 MR. ELMS: That's right.

9 MR. SEDGWICK: And Reynolds of
10 Canada is a wholly owned subsidiary of Reynolds
11 in the States, isn't it?

12 MR. ELMS: I can't answer -- it's
13 not wholly owned, but it is control by Reynolds family
14 in the States.

15 MR. SEDGWICK: But it is next to
16 Alcoa, the second in the field?

17 MR. ELMS: I would say so.

18 THE CHAIRMAN: What success have you
19 had in, with the dissatisfied customers of Modern that
20 you inherited?

21 MR. ELMS: Very, very successful.
22 Simply because we bend over backwards to do what we
23 can for them, within reason for what it costs us and
24 so on.

25 THE CHAIRMAN: Have you found that
26 most of their complaints have been justified? In your
27 opinion?

28 MR. ELMS: Most, yes. I will say
29 the percentage of people who are trying to get something
30 for nothing is high.





1 THE CHAIRMAN: Of course you get
2 that in any business. Is it higher in your type
3 of business, the type of customer who you can't
4 satisfy, do you think it's higher in your type of
5 business than in other types of business?

6 MR. ELMS: I don't know -- I wouldn't
7 say that.

8 THE CHAIRMAN: There are certain
9 people you can never satisfy.

10 MR. ELMS: We have people we send
11 out on service calls and they get what they want done
12 and they will sign to the effect that the work is
13 done to their satisfaction. They will call in two
14 weeks and want somebody back again, sometimes four
15 and five calls. Now these people of course use
16 the method of saying until you fix this I don't
17 intend to make my payments to the finance company.
18 So they use this method basically to postpone their
19 payments and so on.

20 THE CHAIRMAN: Now then, have you
21 had any occasion to discharge any of your employees,
22 even though they are now operating -- because they
23 are now operating under a much stricter regulations
24 and they can't live up to them?

25 MR. ELMS: We have.

26 THE CHAIRMAN: But you are certainly
27 endeavouring to clean up the situation?

28 MR. ELMS: That is correct.

29 THE CHAIRMAN: And we wish you luck.

30 MR. WHICHER: I would just like to make



1 an observation. I think it is very good that a
2 company such as yourselves should get into this
3 because you are reliable. The one thing, a question
4 that I have, one of the problems in a business such
5 as this from the consumer or customer's point of
6 view is the fact that immediately he is dealing with
7 company A and then the next day the paper is all
8 turned over to a finance company and the payments
9 have to go somewhere else and the fellow he bought
10 the goods from is really no longer interested in
11 your case, he doesn't deal with him really. A big
12 company like your own, why don't you handle your
13 own paper?

14 MR. ELMS: Well at the present
15 time, as I say, we are fairly new here and Reynolds
16 is not interested in handling it themselves at the
17 present time. Whether in the future we will, this
18 is a possibility.

19 MR. WHICHER: Would you agree that
20 that would give a better relationship between the
21 customer and yourself?

22 MR. ELMS: You may be right, but we
23 don't hide the fact that a finance company is involved.

24 MR. MACDONALD: And you assure the
25 customer that if there is any complaint they can
26 come to you?

27 MR. ELMS: That is correct. They
28 know that they are dealing with us because our contract
29 has our name at the top and regardless of whether the
30 paper is sold to a finance company, they know that they



1 deal with us as far as any problems.

2 THE CHAIRMAN: Mr. MacDonald?

3 MR. MACDONALD: Mr. Chairman, there
4 are two or three rather brief points. Do I conclude
5 from your testimony that you have forsaken the
6 image of freers?

7 MR. ELMS: Oh, yes.

8 MR. MACDONALD: Altogether?

9 MR. ELMS: Definitely.

10 MR. MACDONALD: You said that you
11 have control of your applicators. Do they work on
12 salary or commission?

13 MR. ELMS: They work on the basis
14 of the squares that they apply.

15 MR. MACDONALD: In other words it's
16 commission?

17 MR. ELMS: Yes. I assume that having
18 said that here it is not going outside.

19 MR. MACDONALD: You can't assume that.

20 MR. LETHERBY: The newspaper men are
21 right here with their pencils.

22 MR. ELMS: Well anyway, we are
23 considering the possibility of putting our applicators
24 on a salary. But as I say we are just our feet on
25 the ground in this business and we could make lots
26 of changes along the way.

27 MR. MACDONALD: As a matter of fact
28 from what we have heard this is a commendable point
29 for consideration.

30 MR. ELMS: We could possibly make lots



1 of changes that we find necessary as we go along.

2 MR. MACDONALD: Do you still sell
3 the aluminum product to other companies?

4 MR. ELMS: Yes.

5 MR. MACDONALD: You both use it
6 yourself and will sell it to anybody else who wants
7 it?

8 MR. ELMS: To other dealers -- lumber
9 companies and construction companies.

10 MR. MACDONALD: Would you sell it
11 to other companies that are engaged in putting on
12 aluminum siding?

13 MR. ELMS: Yes, we do.

14 MR. MACDONALD: Mr. Chairman, just
15 one final comment. I think this company and Premier
16 Finance yesterday are very salutary revelations of
17 people who have come into a business and have
18 inherited a mess and are trying to clean it up. We
19 have had testimony from this gentleman that they
20 work in connection with the Racket Squad. Now this
21 is just in passing but I have the growing feeling
22 that there might be a place at some stage for
23 periodic hearings in areas where there are rackets
24 going on. Just so that the information can be gotten
25 out to the public. In the Racket Squad you can chase
26 for five years to get practical evidence that would
27 stand up in Court. Meanwhile the racketeers get away
28 with it. But if you have hearings so that the thing
29 gets out to the public, it's part of the very necessary
30 education of the consumer so his defences are up and



1 you reduce the possibility of his being victimized.
2 I think this is something that our Committee might
3 consider, Mr. Chairman. I would be curious to know
4 whether the Racket Squad people would welcome this
5 kind of thing. Just airing the areas in which they
6 are trying to do a -- catch the fast operators. That
7 doesn't have anything really to do with this witness
8 today.

9 THE CHAIRMAN: Do you feel that
10 the business has reached the point now where a lot
11 of the people who were doing unsatisfactory work
12 have been eliminated? Have we reached that point
13 yet, do you think?

14 MR. ELMS: Not in our experience,
15 no. I would not say that that has been accomplished.
16 I would say that we have been quite successful
17 ourselves. But unfortunately I can't say -- in the
18 field we get complaints every day of people
19 representing themselves as coming from Reynolds,
20 anywhere from Vice-President down, in order to
21 sell their product or even use the name Reynolds.
22 This is why we want to work with the Provincial Police
23 or anybody else to nail these people to the wall.

24 THE CHAIRMAN: Well, if you were
25 asked to advise the members of the Committee who
26 were contemplating putting new siding on their house,
27 how they could avoid the difficulty, how would you
28 advise them?

29 MR. ELMS: Deal with our company.
30 (Laughter). That's the very obvious answer. However, I



1 think the only way to overcome it is just to, when
2 the salesman comes in, to clearly ask him questions.
3 If you are not clear on the contract or anything
4 else -- it's all there in black and white as to
5 how much it's going to cost you, finance or otherwise,
6 the guarantee, the various samples there to see it.

7 MR. MACDONALD: The areas of
8 difficulty would be if the salesman was level and
9 if the guarantees of the quality and workmanship,
10 the quality of product and workmanship --

11 MR. ELMS: Yes, that's right, that
12 would be the difficulty.

13 MR. REILLY: What about a cooling
14 off period?

15 MR. ELMS: We don't have any
16 particular objection to that simply because quite
17 often, particularly in certain areas, we might not
18 be able to apply that job for ten days, so we have
19 no objection whatsoever really to a cooling off
20 period. The only objection or problem -- sometimes
21 it might create a problem if you have an applicator
22 in a certain area and suddenly we have a contract
23 and he has to be there for the next two or three
24 days and we have to ship the material some distance,
25 we might like to send it up there.

26 MR. MACDONALD: Plus more desirable
27 weather conditions?

28 MR. ELMS: Oh, yes, that is correct.
29 But this is the only problem that might be created
30 for us with a, as you call it, cooling off period.



1 As far as we are concerned I think we would have
2 less problems if the customer was, you know, able
3 to cancel as long as he did not get involved so that
4 there were costs involved and so on.

5 THE CHAIRMAN: Mr. White, any
6 questions?

7 MR. WHITE: What is the interest
8 rate charged?

9 MR. ELMS: All I can say it would
10 be a standard finance rate. Most of the finance
11 companies run pretty close. I don't know exactly.
12 I couldn't answer that for you.

13 MR. WHITE: Well, the main reason
14 I asked was because yesterday they spoke of the rate
15 of interest charged by the finance company with whom
16 they deal was 26% and I wondered if your is the same,
17 or if maybe the improvement of your operation has
18 brought that charge down.

19 MR. ELMS: Well it could possibly
20 be --

21 MR. WHITE: Could you provide us
22 with that information?

23 MR. ELMS: Yes, I could provide
24 that for you. Our men have set tables.

25 MR. IRWIN: Mr. Chairman, I wonder
26 if I might comment on that? This is the table
27 submitted by Premier Home Improvement Plan and I
28 understand that it is more or less standard for this
29 type of risk, and the rate yesterday was quoted as
30 26%. I think it illustrates the confusion that may



1 arise from your quoting interest rates. This table
2 is typical of the conditional sales contract type
3 of table and it's based on the add-on principle. To
4 arrive at the calculation we add-on. But the
5 principal amount of the unpaid balance actual ranges
6 from, for instance, any amount between 101 and 110 for
7 12 months, you add on \$16.25. But in actual fact
8 the true rate, if the balance happens to be \$101.00,
9 the add-on is \$16.25, the true rate is 28.44%. But
10 if the balance happens to be \$110.00 and the add-on
11 is still the same, \$16.25, the true rate is 26.4%.
12 Then when you get further down the table and you
13 get amounts of \$1,500.00, the rate is from \$1,501.00
14 to \$1,550.00, the add-on when you get the maximum
15 number of months, 60, the add-on is \$850.00. So
16 that if the balance is in fact \$1,501.00, the add-on
17 is \$850.00, the true rate is 19.8%. But if the
18 balance is \$1550.00 and the add-on is \$850, then the
19 rate is only 18.7%. So there isn't a standard 26%
20 as quoted yesterday.

21 THE CHAIRMAN: Mr. Kerr?

22 MR. KERR: Mr. Elms, you mentioned
23 that you guarantee yours -- I think you mentioned 20
24 years at one point -- is this guarantee provision in
25 your contract?

26 MR. ELMS: Not in the contract. When
27 the applicator goes out we have a guarantee form that
28 the customer is provided with and which we have on
29 record as well.

30 MR. KERR: Well, is that a guarantee





1 form of Reycan or Reynolds --

2 MR. ELMS: Reycan.

3 MR. KERR: I see. Then regardless
4 of whether the contract is assigned to a finance
5 company, you still have an obligation as far as --

6 MR. ELMS: That is correct, that is
7 correct.

8 MR. KERR: I imagine the contract
9 form you use has an assignment form on it as well,
10 has it? To the finance company?

11 MR. ELMS: That is correct.

12 MR. KERR: Is your name and address
13 on the contract as well as the guarantee form?

14 MR. ELMS: That is correct. The
15 guarantee form is not on the contract.

16 MR. KERR: No, that's right. Do you
17 have a promissory note that you have signed as well?

18 MR. ELMS: That is correct.

19 MR. KERR: Is that attached to your
20 contract?

21 MR. ELMS: No, it's separate.

22 MR. KERR: Do your salesmen always
23 complete the contract in full before being signed
24 by the customer?

25 MR. ELMS: Absolutely, yes.

26 MR. KERR: Do you have a separate
27 figure showing your finance charges as well as the
28 monthly installment?

29 MR. ELMS: That is correct.

30 MR. KERR: Do you always leave a



1 completed contract with the customer?

2 MR. ELMS: Yes.

3 MR. KERR: Do you make these phone
4 calls before instalation to see if they still are
5 happy with the contract?

6 MR. ELMS: That's right.

7 THE CHAIRMAN: Do you think that's
8 desirable, from the point of view of the customer,
9 do you think that confirmation is desirable from
10 the standpoint of the customer?

11 MR. ELMS: It certainly is desirable
12 not only to the customer but possibly to ourselves
13 because if we did not phone check them and there
14 was something the customer wasn't happy about we
15 could send the material and the applicator up
16 there and the customer could say: "No, I was made
17 a certain promise or a certain comittment and so on",
18 and, you know, you could run into problems. As I
19 say, our men are told strictly how to sell, but we
20 don't accept their word either --

21 THE CHAIRMAN: You are eliminating
22 problems for yourselves.

23 MR. ELMS: That's right. Service can
24 be a costly thing with us, going all over the Province.
25 And we wish to do everything we can to eliminate that
26 problem. That's why we have an instalation manager
27 who goes around and checks either after they are
28 finished or right in progress, to see that the men
29 are doing proper work.

30 THE CHAIRMAN: Did you tell us what



1 percentage of your customers might complain about
2 the workmanship or the material -- 10%, 5%, that
3 are problem customers? Are 90% of your customers
4 satisfied?

5 MR. ELMS: Yes, I would say it is
6 a very high percentage, possibly 90 to 93.

7 THE CHAIRMAN: How many would you be
8 able to satisfy after you went back to the job?

9 MR. ELMS: I would say we pretty
10 well satisfy -- well, there is a certain percentage --

11 THE CHAIRMAN: Would 98% be satisfied?

12 MR. ELMS: Maybe -- yes.

13 THE CHAIRMAN: Mr. Rowe? Mr. Reilly?

14 MR. REILLY: Well, Mr. Chairman, I
15 was interested from the standpoint of the guarantee.
16 What actually do you guarantee, the quality and the
17 thickness of the aluminum, the colour, or what do you
18 guarantee apart from the installation?

19 MR. ELMS: We guarantee that it will
20 not chip or peel -- we do not guarantee it will not
21 fade, simply because the paint company won't guarantee
22 it, even though we put it through a high heat process
23 and so on to bake it on; this takes care of weather.
24 It won't life and so on due to weather conditions.

25 MR. REILLY: Well, we have had a
26 witness here who pointed out that perhaps out of one
27 batch, they put on a certain amount of the next batch
28 and it's a different colour. Do you try to stay
29 with one batch in one area?

30 MR. ELMS: We are testing continually



1 to make sure that they never vary.

2 MR. REILLY: What guage of aluminum
3 do you use?

4 MR. ELMS: 025.

5 MR. REILLY: The matter for the
6 Committee we must realize that everybody doesn't have
7 the resources that Reycon has. Everybody can't
8 manufacture aluminum, everybody can't distribute it
9 and then apply it. It's a different group entirely.
10 I'm not in favour of eliminating the middle man and
11 the small man altogether, but this kind of operation
12 is very complete and we should have very little
13 difficulty under the circumstances. I think we
14 should recognize that this is a different thing
15 entirely.

16 MR. KERR: I think the important
17 thing is that there is still some connection between
18 the customer and the original man that sold him the
19 goods. This is the problem of the assignment of the
20 contract to the finance company.

21 MR. REILLY: There are many reputable
22 firms that still sell the paper and are still
23 reputable, and this is one of them. We shouldn't
24 put everybody in the same group because there are
25 one or two bad eggs in the basket, that's all I'm
26 saying.

27 THE CHAIRMAN: Are there any other
28 questions, gentlemen? Thank you very much Mr. Elms.
29 We appreciate your information.

30 Gentlemen, we will now hear



1 from the Family Publications Service of Canada Ltd.
2 Mr. Reiter?

3 MR. REITER: Mr. Chairman, as I
4 pointed out earlier, we are waiting for the documents
5 that we think will be of assistance to the Committee.

6 THE CHAIRMAN: It's not here yet?

7 MR. REITER: It hasn't come yet, no.

8 THE CHAIRMAN: Well, you have no
9 brief to present?

10 MR. REITER: Perhaps you could hear
11 from the Kirby-Sommer Co.

12 THE CHAIRMAN: You are not concerned
13 about this document so far as they are concerned?
14 All right, then, we could go right ahead with
15 Kirby-Sommer, all right.

16 We are now going to hear
17 from the Kirby-Sommer Co. of which Mr. Sale is
18 connected and his counsel is with him here, Mr. Reiter,
19 as well.

20 MR. SEDGWICK: You have no brief,
21 have you?

22 MR. SALE: No we haven't.

23 MR. SEDGWICK: You are Mr. Sale?

24 MR. SALE: That is correct.

25 MR. SEDGWICK: Since I know nothing
26 about your company, where are your business premises?

27 MR. SALE: They are at 1762 Eglinton
28 Avenue West.

29 MR. SEDGWICK: I see. And what
30 products do you sell?



1 MR. SALE: A sanitronic system,
2 Kirby Sanitronic System, manufactured by Switzen
3 Industries in Welland, Ontario. .

4 MR. SEDGWICK: Sanitronic System?

5 MR. SALE: Sanitronic. s-a-n-i-t-r-
6 o-n-i-c.

7 MR. SEDGWICK: And what is that?

8 MR. SALE: It's a multipurpose
9 plan, Mr. Sedgwick. It's quite different than
10 anything else on the market, to be brief. It's
11 biggest function is as a vacuum cleaner, but the
12 basic unit is one, small, compact, portable power
13 unit that can be transformed into some eight different
14 appliances, among which is a complete home portable
15 workshop.

16 MR. SEDGWICK: And who do you say
17 manufactures this?

18 MR. SALE: Switzen Industries in
19 Welland, Ontario.

20 MR. SEDGWICK: Switzen?

21 MR. SALE: Switzen. They manufacture
22 about 42%, I believe, of all small appliances.

23 MR. SEDGWICK: How long has the
24 company -- that is the Kirby-Sommer Co. -- been in
25 business?

26 MR. SALE: It originated in January
27 of 1960 and there were a couple of company changes
28 made. It was incorporated later than that.

29 MR. SEDGWICK: And your position is?

30 MR. SALE: General Sales Manager or



1 Manager.

2 MR. SEDGWICK: Who is the President?

3 MR. SALE: Mr. Johann Sommer.

4 MR. SEDGWICK: And as to your
5 methods of sale, which I think is what the Committee
6 is concerned with, do you sell from your premises or
7 door-to-door, or how do you sell?

8 MR. SALE: It's all direct selling
9 by actual demonstration in the home, by prearranged
10 appointment, there is no going around banging on
11 doors.

12 MR. SEDGWICK: That is, you get
13 leads?

14 MR. SALE: No, we conduct a telephone
15 canvas in which we make actual appointments with
16 the customer to come to their homes.

17 MR. SEDGWICK: I see. And then you
18 give demonstrations to people in the house, is that
19 it? Or do you give community demonstrations?

20 MR. SALE: No, we definitely do not.
21 We give the demonstration and incidentally we confine
22 it, if possible, to both the husband and wife.

23 MR. SEDGWICK: So you tend to give
24 the demonstration in the evening, is that it?

25 MR. SALE: That's right, in the
26 majority of cases, yes.

27 MR. SEDGWICK: What does your main
28 product sell for? Do you have a standard selling
29 price?

30 MR. SALE: Yes. It sells for \$309.50



1 or \$349.50 including the home workshop. In other
2 words they can take lesser parts of it if they wish.

3 MR. SEDGWICK: Are those prices
4 your cash prices?

5 MR. SALE: Yes, they are.

6 MR. SEDGWICK: Then do you sell
7 on credit?

8 MR. SALE: Yes, we do.

9 MR. SEDGWICK: And when you sell
10 on credit how much do you add on for the cost of
11 the credit?

12 MR. SALE: Well we sell our paper --
13 I think we have the contract here, a sample contract --
14 We sell our paper to finance companies.

15 MR. SEDGWICK: Yes, I see. These
16 are identical?

17 MR. REITER: Yes. What we did was
18 we typed up on the standard form and they are all
19 the same -- there are twenty copies altogether.

20 MR. SALE: In other words you can
21 take the original and additional copies and spread
22 them around to all the members.

23 MR. SEDGWICK: Well on the one that
24 I'm looking at the total price is \$309.50, there is
25 an \$80.00 trade-in on this particular sample, the
26 balance is \$236.40, a recording fee of \$2.00. What
27 would that be?

28 MR. REITER: That is a part of the
29 operation of the finance company, Mr. Sedgwick, in
30 which they register the contract, I believe, and there



1 is a standard tariff on that. I'm out of my juris-
2 diction here. That's strictly the finance company.

3 MR. SEDGWICK: Then finance charges
4 of \$63.00. And this particular contract is payable
5 over 18 -- over 24 months apparently at \$12.35 a
6 month. And I see that your form has a detachable
7 promissory note and apparently you negotiate these --
8 this particular one -- with the Prudential Finance
9 Corporation?

10 MR. REITER: That is correct, yes.

11 MR. SEDGWICK: And the \$63.00
12 finance charge, is that the finance charge that
13 is paid to the Prudential Finance -- or do you have
14 any interest in the finance charge?

15 MR. SALE: No, we do not, sir.

16 MR. SEDGWICK: Are you getting a
17 kick-back from the finance charge?

18 MR. SALE: No, sir. The contract
19 is sold to them on a non-recourse basis.

20 MR. SEDGWICK: I see.

21 MR. SALE: We take care of the
22 warranties, of course, and anything like that.

23 MR. SEDGWICK: I was going to ask
24 you about that. Do you give a warranty, is there
25 any warranty?

26 MR. SALE: Yes, it's in the back of
27 the manual you have there, which is, I think, perhaps
28 the most elaborate warranty in the field. It gives
29 an absolute unconditional one-year warranty and
30 thereafter it gives a lifetime service warranty that



1 states that the product will be put back in first-class
2 working condition for charges not to exceed \$30.00.

3 MR. REITER: May I interject?

4 Mr. Sommer has handed me a copy of what is, in effect,
5 a master agreement between Prudential and the Kirby-
6 Sommer Co.

7 MR. SEDGWICK: Well, Mr. Reiter has
8 been good enough to give me a copy of the agreement
9 between Kirby-Sommer and the Prudential Finance
10 Corporation. Apparently there is a provision for
11 some rebate --

12 MR. SALE: I'm sorry, I was in error
13 there. In this one specific case apparently there
14 is an arrangement -- with other companies we deal
15 with there is no such arrangement. This is the
16 only company -- we have dealt with different finance
17 companies over the years and this is the only one
18 in which there has been any arrangement.

19 MR. SEDGWICK: Yes. Under this --
20 I haven't had an opportunity to study it -- but
21 apparently a loss reserve is set up. And that is,
22 the loss reserve, if there is nothing exhausted by
23 losses you are credited with a part of that loss
24 reserve, apparently 75% guaranteed to be paid to you
25 each month and then there is a hold-back of 25%. If
26 the losses do not exceed a certain percentage -- I
27 haven't had an opportunity to study it -- you do
28 finance with other companies besides Prudential, do
29 you?

30 MR. SALE: Yes, we do. At the moment





1 we are only using two -- Prudential and Cardinal.

2 MR. SEDGWICK: I see.

3 MR. SALE: We put the odd bit of
4 paper through Beneficial. We have dealt with a good
5 many of them.

6 MR. SEDGWICK: Do you sell through
7 agents?

8 MR. SALE: We have sub-dealers, as
9 we call them. They are an independent entity on
10 their own. It revolves around a proper share of
11 the programme rather than a straight commission as
12 such.

13 MR. SEDGWICK: You deliver to them
14 at a price, is that right?

15 MR. SALE: That's right, yes.

16 MR. SEDGWICK: And then you have
17 a suggested selling price, is that correct?

18 MR. SALE: I have here -- these are
19 copies of our agreements with individual dealers.
20 There is a reason for that in this particular business.
21 In this business almost invariably there are trade-ins
22 involved and we do give the independent dealer
23 considerable latitude in respect to the trade-in. In
24 other words if they want to over-allow it comes out
25 of their profit.

26 MR. MACDONALD: Basically you fix
27 the amount for a trade-in, do you?

28 MR. SALE: Not specifically but in
29 a general way we do, yes. It's a very difficult thing.
30 There is no established value for used appliances, such



1 as for used cars. Basically speaking the bulk of
2 the trade-ins we are not interested in. We hold
3 them, and they are worth about \$5.00 in a wholesale
4 batch. We normally -- sometimes if they are an
5 exceptionally good one we will dispose of them
6 direct rather than in a wholesale batch -- and
7 we will normally allow the dealer an amount up to
8 approximately \$20.00. Now he may over-allow. I
9 think in this contract he allowed \$18.50 --

10 MR. SEDGWICK: Well I have had no
11 chance to study this either --

12 MR. SALE: No, he allows \$80.00 here.

13 MR. SEDGWICK: I was glancing at it,
14 I see it's \$80.00 there. But in your dealer
15 agreement, I take it what you do is you sell to your
16 dealer at your credit list price less a dealer
17 discount, is that correct?

18 MR. SALE: That's correct, yes.

19 MR. SEDGWICK: And then the dealer
20 sells to the homeowner at your suggested price which
21 I assume is your list price, is that right?

22 MR. SALE: That's right.

23 MR. SEDGWICK: He can sell for less
24 if he cares to or he can weight the transaction in
25 favour of the home owner by giving a liberal discount
26 on the trade-in?

27 MR. SALE: That is correct.

28 MR. SEDGWICK: Well I have no other
29 specific questions, but I am sure some of the members
30 of the Committee have.



1 MR. SALE: Mr. Sedgwick we have here
2 a copy -- this is the basic demonstration that is
3 put on in the home. Now this covers all phases of
4 -- I'm sure the Committee -- as I say this is a
5 multi-purpose -- the name Kirby goes back to 1914.
6 Possibly 18 months or so they incorporated a new
7 Trade-Mark, Sanitronic System, because it is more
8 descriptive than is the name Kirby. It's a
9 multi-purpose appliance quite unlike anything else
10 on the market and it will do upwards of 78 different
11 jobs around the home.

12 MR. SEDGWICK: This is the sort
13 of thing you give your salesmen so that you can
14 instruct them in how to sell?

15 MR. SALE: Yes. The product in
16 itself essentially sells itself if the presentation
17 is properly made. We strictly frown on anything
18 pertaining to high pressure. It's a question of
19 showing the product properly. The majority of people
20 when they have seen it would like to have it. Then
21 it becomes the job of the dealer to show them how
22 they can have it. In other words, how it can be
23 fitted into their budget and so on. But very
24 definitely, in the majority of cases, the people
25 would like to have it. Now they don't always buy
26 it, obviously, but --

27 MR. SEDGWICK: I have another question.
28 On the back of your book I see a photograph of
29 Switzen Industries. Is Kirby owned by Switzen
30 Industries?



1 MR. SALE: No, it's not.

2 MR. SEDGWICK: It's an independent
3 dealer?

4 MR. SALE: That's right.

5 MR. SEDGWICK: Selling only the
6 products of Switzen?

7 MR. SALE: Vacuum distributor --
8 selling and servicing. We have a very elaborate
9 and very complete service department whereby any
10 owner of any Kirby product right back to the year
11 1914 can have service and get all parts. One thing
12 that is quite unique with this product as opposed
13 to the majority of such appliances on the market,
14 virtually all the parts are interchangeable from
15 year to year even though there are radical modifi-
16 cations made.

17 THE CHAIRMAN: Do you have a
18 territory?

19 MR. SALE: We, as such? Yes we
20 operate pretty well -- there are no definite
21 boundaries as such -- but we operate primarily in
22 the west and northwest portion.

23 THE CHAIRMAN: Mr. Irwin, I think,
24 has a question.

25 MR. IRWIN: Mr. Chairman, on the
26 form here -- correct me if I am wrong --

27 MR. SALE: Is this the conditional
28 sales contract?

29 MR. IRWIN: The one that Mr. Reiter
30 supplied us with.



1 MR. SALE: Yes.

2 MR. IRWIN: There seems to be
3 something missing. You start with a cash price of
4 \$309.50, you deducted the trade-in allowance of
5 \$80.00, and that leaves a balance of \$229.50 but
6 then there is some intermediate item of \$1.90.

7 MR. REITER: That's sales tax.

8 MR. SALE: It's not typed in, the
9 sales tax.

10 MR. IRWIN: Oh, I haven't got it here.

11 MR. SALE: We will have the cash
12 price, provincial sales tax blank. We do pay it.

13 MR. IRWIN: It isn't on my copy.
14 Well I was just going to comment, but this changes
15 my comment. The rate in here appears to be -- well
16 now I would have to say about 26%.

17 MR. SALE: It's a very standard
18 rate that is used broadly across the whole field of
19 consumer credit.

20 MR. IRWIN: The \$63.00 finance charge
21 appears to be --

22 MR. SALE: It's basically 1% per month,
23 that's the way it's computed, I believe.

24 MR. IRWIN: Well that would work
25 out mathematically to 26%.

26 MR. SALE: I don't pretend to be a
27 finance company.

28 MR. IRWIN: Well, not having the
29 full equation here I may be wrong in my calculation,
30 so I assume it's around 26%.



1 THE CHAIRMAN: Mr. White? Mr.
2 Hamilton? Mr. Rowe? Anyone else?

3 MR. MACDONALD: Yes, Mr. Chairman,
4 I have a few questions I'd like to ask.

5 I take it this company was
6 formed fairly recently and you had a number of
7 predecessors, for instance, Kirby Vacuum, Kirby and
8 Sons, and so on?

9 MR. SALE: Yes and no. If I may
10 explain that, Mr. MacDonald. The trade name Kirby
11 that they have used, and it's been used by various
12 dealers, distributors and so on since 1914. We
13 became a franchised distributor in January of 1960
14 operating the Kirby-Sommer Company. Then the
15 company was incorporated and became the Kirby-Sommer
16 Co. Ltd. Inasmuch as we were in this type of business
17 selling our papers -- now because we have direct
18 contact with the people there are occasions when we
19 feel that perhaps their credit is better than appears
20 on the surfact. The normal procedure with this, by
21 the way, is for the finance company to confirm this
22 verbally after they receive the contract, to make
23 sure that they have received the equipment and that
24 they fully understand the terms of the contract that
25 they have agreed to pay so many dollars a month over
26 so many months duration. To compensate for those
27 few we then established another company which we
28 call Kirby-Sommer Acceptance Limited with the idea
29 of handling some of our own paper. It's just in these
30 odd cases where we felt because of our specific know-



1 ledge in dealing first-hand with the people that perhaps
2 it wasn't quite as grim as it appeared on the surface
3 from our retail credit check and so on.

4 We were handling so little
5 of that paper it became an expense to us and so on.
6 So virtually let -- although it still exists -- we
7 let Kirby-Sommer Company become dormant and put the
8 entire operation under Kirby-Sommer Acceptance Limited
9 which is registered now as Kirby-Sommer Acceptance
10 Limited, operating as Sanitronic Systems.

11 MR. MACDONALD: Where do you operate
12 from?

13 MR. SALE: 1762 Eglinton Avenue West.

14 MR. MACDONALD: Well, what would
15 Kirby Vacuum be?

16 MR. SALE: Well, there was a
17 distributor, a Canadian Supervisor, who used the Kirby
18 name in several phases. He had policies which many
19 of us didn't agree with and which the parent company
20 didn't agree with and he was removed from his position
21 and a new Supervisor appointed. The service was
22 becoming a problem and it's a very vital part of our
23 operation in customer relations. It's imperative that
24 we have a very large, complete service department.

25 MR. MACDONALD: When did he dis-
26 associate himself?

27 MR. SALE: As of last February or
28 March.

29 MR. MACDONALD: Where does Kirby
30 and Son fit into the picture?



1 MR. SALE: There is no such animal
2 to my knowledge.

3 MR. MACDONALD: Not to your knowledge?

4 MR. SALE: No. The name Kirby
5 originates from Mr. James Kirby who was the actual
6 inventor of the electric vacuum. Some of the patents
7 may be of interest to you -- one of the various patents.
8 He didn't quite do what he had hoped to accomplish.
9 He sold the patents to a man who developed a company
10 under a trade name that is now world wide, a wonderful
11 product and wonderful company -- Electrolux. And
12 then he developed his own. He sold his product to
13 the Scotland Fetzner Company of Cleveland, Ohio, and
14 he is still associated with them although he is a
15 man approaching 90 now, in an advisory capacity. This
16 product has always been carried on the basis that it is
17 an extremely top quality product.

18 MR. MACDONALD: Turning to your
19 finances, when did you introduce this agreement with
20 Prudential?

21 MR. SALE: I think Mr. Sedgwick can
22 best answer. He has my copy. July 7th, 1964.

23 MR. MACDONALD: July 7th, '64. Prior
24 to that you were dealing with whom?

25 MR. SALE: We were dealing with Premier,
26 we were dealing with Cardinal and we have dealt with
27 Beneficial. As I say, we have dealt with several.

28 We have found the majority
29 of finance companies don't like to get too many eggs
30 in one basket. In other words, if we are giving them a



1 large volume, which we always hope to do, of course,
2 it may be that the heirarchy of that organization says:
3 "Here, you are getting too heavy on this paper. Slow
4 down". They want to have another door open, where they
5 are not going to be hamstrung.

6 MR. MACDONALD: Do you deal exclusively
7 with Prudential now?

8 MR. SALE: No. We are dealing in
9 a limited manner with Cardinal.

10 MR. MACDONALD: But Premier is
11 out of the picture as far as you are concerned?

12 MR. SALE: At the moment, yes. But
13 that doesn't say we won't go back.

14 MR. MACDONALD: Well, they won't
15 take you if you go back because they were here yesterday
16 and said they have gotten out of this field.

17 MR. SALE: I know that they did
18 substantially. We didn't go at their invitation, we
19 were the last, I think, of their direct sell organi-
20 zations. They held on to us because our paper was
21 abnormally good.

22 MR. MACDONALD: What is your practice
23 with regard to a person seeking to get out of a contract?
24 For example if the contract is signed at the door and
25 they come to you the next day and say they have changed
26 their minds. What is your procedure?

27 MR. SALE: Again, as I said previously,
28 certainly we go and see them and try and resell them.
29 We do have a bit of a problem in this respect. If the
30 product has been used this becomes a used product. Now



1 we try to have our man check the people very carefully
2 when they sell the product to them. You see, it's
3 left on the premises. We hope they are very sure
4 they are very satisfied because if they use this
5 product it now becomes a used product. We will -- I
6 mean this has certain exceptions, of course -- we will
7 let them out of the contract. We have no objection
8 to a waiting period by the way, provided they don't
9 use the product.

10 MR. MACDONALD: How many salesmen
11 have you in the field?

12 MR. SALE: Approximately 15.

13 MR. MACDONALD: Would you and the
14 President of the company be involved in selling too?

15 MR. SALE: Not necessarily, no. I
16 have.

17 MR. MACDONALD: You have. Has the
18 President of the company been involved in selling?

19 MR. SALE: Yes.

20 MR. MACDONALD: In selling?

21 MR. SALE: Yes. We like to keep
22 our pulse on the field, what's going on, and we try
23 to have high calibre men in the field. If there is
24 ever any question of misrepresentation of anything like
25 that we are down on them hammer and foot.

26 MR. MACDONALD: What do you consider
27 high pressure selling? What would you frown on?

28 MR. SALE: Well, it's very difficult
29 with this to have any high pressure selling because of
30 the type of product it is. The major thing we do frown



1 on is we will not permit a housewife to be sold on her
2 own without her husband present.

3 MR. REITER: Perhaps, Mr. MacDonald,
4 I can speak on this. I don't know whether the Committee
5 will approve or not, but I did ask the President of
6 the company to provide me with two people -- one who
7 had purchased the unit and one who had not -- and I
8 specified that they were not to be coached in any way.
9 These two women are hear if you want to hear from them.

10 MR. MACDONALD: For the moment I'm
11 not interested because I have a specific case I want
12 to raise with you. One further question, however,
13 before I get to that. Do you have gimmicks in terms
14 of getting the sale going?

15 MR. SALE: Only in this respect.
16 Perhaps the best way I can describe how we arrange
17 these appointments. As I say we do make a telephone
18 canvas with the homeowner, inviting the people to call
19 back to one of our numbers. And if they do so they
20 can be entitled to receive a gift, plus a chance
21 to win various things we give -- currently a \$500.00
22 award, for giving us their opinion of the product.
23 Now this is regardless of whether they buy it or not.

24 MR. MACDONALD: Your gimmick has
25 really grown because it used to be a barbecue set.

26 MR. SALE: No, no. No, no. Let me
27 correct that. For the courtesy of coming to their home
28 we do give them a small gift which, during the season
29 is normally or frequently a barbecue set. Currently
30 we are giving them a set of tumblers, for the courtesy



1 of coming to their homes. And that's regardless of
2 whether they buy or not. There are no strings attached
3 whatsoever, provided they let us come into their home
4 and show them our product.

5 MR. MACDONALD: Well, Mr. Sale, let
6 me give you a specific case I have in mind. The phone
7 rings and they get this recorded announcement. If
8 you call a certain number and if you admit them then
9 you will get a barbecue set. The salesman arrives at
10 the door, he arrives with the machine. He didn't have
11 the barbecue set -- or perhaps he did, I'm not certain
12 whether he had the barbecue set at that particular point
13 -- then he proceeds to try to sell it. The woman
14 becomes interested in it because she wants to give it
15 as a gift to her daughter. There is a great deal of
16 discussion back and forth. The sales price, incidentally,
17 was not three hundred and some dollars, it was \$249.00
18 with a trade-in of \$65.00 --

19 MR. SALE: That's after the trade-in?

20 MR. MACDONALD: No. \$249.00 was the
21 cash price. \$249.50. The trade-in was \$65.00. They
22 deposited in cash \$20.00, so the balance was \$164.50,
23 sales tax \$6.00, service charges \$36.50. And a recording
24 fee of \$2.00, so the total unpaid balance was \$209.00.
25 Now --

26 MR. SALE: How long ago was that?

27 MR. MACDONALD: November, 1963. One
28 year ago. Now the interesting thing on this case -- and
29 I am interested because you said there is no high
30 pressure selling -- because there was a lot of give and



1 take and finally they put their names on the document.
2 It was with the understanding -- this is where they
3 were very foolish, of course -- it was with the
4 understanding that before the deal would be considered
5 to be closed they would come back and go out and
6 demonstrate it to the daughter because it was going
7 to be a gift to the daughter.

8 It was also -- they contend
9 now that they would have paid it in cash -- the fact
10 of the matter is when they contacted the daughter the
11 daughter said: "Look, mother, this is far more than
12 you can afford, I'm not interested in it". They called
13 up the next morning and told your office they didn't
14 want it, that they wanted to cancel the deal. Instead
15 of being cancelled, a few days later, a week later,
16 without any calls from any finance company, they get
17 a contract from Premier Finance. They ultimately go
18 to a lawyer and the lawyer was able to settle the
19 whole deal and get out of it by paying another \$45.00
20 in addition to the \$20.00 they had paid in cash. A
21 total of \$65.00 and I have a legal document from the
22 lawyer here to indicate it.

23 MR. SALE: I specifically remember
24 that case, Mr. MacDonald.

25 MR. MACDONALD: You might because
26 they and the lawyer and I and a lot of people called
27 and on occasion got the phone slammed up in their ears
28 that they weren't interested in having time wasted.

29 MR. SALE: Well, I myself was down
30 to see them on three different occasions.



1 MR. MACDONALD: What case are
2 you referring to?

3 MR. SALE: This particular one.

4 MR. MACDONALD: Which is it?

5 MR. SALE: They live at number 5
6 (). The daughter (). And I
7 went down to see them and I said: "Well now, can we
8 straighten this out." The lady called her daughter
9 and the daughter said No. The husband said: "Yes,
10 we can afford it, I can afford to pay cash if I want
11 to". I said: "Well, can we arrange to take you down
12 and show it to your daughter?" After all doesn't know
13 what it's all about. As I recall they were taking the
14 daughter's equipment in in trade. So I said: "I think
15 it's only fair that your daughter should see it." He
16 said: "That's fine", and he arranged it. So I sent
17 the salesman back down there and they had changed their
18 minds again. They had called the daughter and she didn't
19 want it. So I went down again -- I know I was there on
20 three occasions. Incidentally, as I understand from
21 the finance company they had definitely called them to
22 confirm the deal. It was a very brief call. They did
23 receive the produce and they understand the payments
24 and so on.

25 Now there are two sides to
26 the story. They were an elderly couple -- when I say
27 elderly they were not ancient, but not young either and,
28 as you say, they were buying it for their daughter.
29 The husband kept insisting, Yes, they were going to give
30 it to her. So I said: "Well, that's fine". In the



1 meantime the contract went through. Once the contract
2 is paid out to us --

3 MR. MACDONALD: Well now, just a
4 minute now. They called up the morning after --

5 MR. SALE: That's right and I went
6 down there.

7 MR. MACDONALD: And said: "Don't
8 have the contract go through". On two or three
9 conditions -- one is that it be shown to the daughter
10 and second, as you have just now confirmed, that if
11 they were going to go through with the deal they wanted
12 to pay cash, they didn't want to get in on the finance
13 charges.

14 MR. SALE: Now in the midst of all
15 this furor I was speaking to some of the -- somebody
16 in your office about it -- and explained the situation
17 exactly as it was at that time and they said: "Well,
18 that's perfectly straightforward, that's fine". Now
19 they changed their minds about three different times.

20 MR. MACDONALD: I don't think you
21 were speaking to my office, I think you were speaking
22 to somebody --

23 MR. SALE: No, it was reported to
24 be from your office. It was not you, as I say, but a
25 girl I was speaking to, and she said: "That's perfectly
26 straightforward". Now I did ask the husband and said:
27 "Are you going to buy this or are you not?" And he
28 said Yes. And the wife said: "Oh well, our daughter
29 says we can't afford it". And he said: "I damn well
30 can afford it and I can pay cash for it".



1 MR. MACDONALD: Do you normally
2 give copies of your conditional sales contracts to
3 the person?

4 MR. SALE: We definitely do.

5 MR. MACDONALD: How do you explain
6 the fact that it took the lawyer two weeks to extract
7 a copy from you?

8 MR. SALE: An additional copy.

9 MR. MACDONALD: No, the only copy.

10 MR. SALE: No, they had a copy.
11 The green one.

12 MR. MACDONALD: Here is the original
13 and the interesting thing is that the salesman was
14 the President of your company.

15 MR. SALE: No, it was not.

16 MR. MACDONALD: Well, it's signed
17 Johann Sommer on the original copy.

18 MR. REITER: May I see that, Mr.
19 MacDonald?

20 MR. MACDONALD: Yes.

21 MR. SALE: That is probably the
22 endoresement.

23 MR. MACDONALD: It is the original
24 where it is signed by the man who they were allegedly
25 buying it from.

26 MR. SALE: No. This is a considerably
27 different contract than most. In this case the note
28 is separate. There is no provision for the salesman's
29 signature on here. This is the assignment to the
30 finance company where the President, Johann Sommer, signs



1 this particular contract. Also signs the note. This
2 is a very much abbreviated contract. There is no
3 provision for the salesman to sign it. But they are
4 invariably left a copy of the contract.

5 MR. KERR: This sample copy, sir,
6 that you have given us. I know it's only a sample but
7 you have here: "In witness hereof the parties have
8 herein set their hand to this agreement", etc., etc.
9 You have got the purchaser's signature, John Doe, and
10 you have got the seller's corporate trade name and
11 you have got per J. Sommer, President.

12 MR. SALE: It was put on with a
13 rubber stamp, Kirby-Sommer Acceptance Limited.

14 MR. KERR: Isn't this where the
15 salesman would witness?

16 MR. SALE: No, this is the acceptance
17 of the contract. Again in this particular one there
18 is no provision for -- as I say these companies vary
19 considerably. Some they have salesman or witness
20 printed right on it. This is one where they don't.
21 On Premier's there is no provision for a witness.

22 MR. MACDONALD: Are you suggesting
23 that that contract there wasn't used at all in the
24 instance of the () sale?

25 MR. SALE: No, that one there that
26 you have. You see, this is Prudential, that Premier.
27 They are essentially both conditional sales contracts,
28 it's a difference in their make-up, that's all. The
29 note, in the case of Prudential, the note is only
30 with the original copy. The customers are not left a



1 copy of the note.

2 MR. MACDONALD: Well, Mr. Chairman,
3 all I want to say is I am thoroughly familiar with
4 this case and I have discussed it with the lawyer who
5 handled it and any suggestion that there wasn't high
6 pressure selling is just for the birds, if I may
7 lapse into the vernacular. It was very high pressure
8 selling and once that these people, innocent types
9 that they were, got their names on a contract, the
10 thing was rammed through despite all. Now I know the
11 lawyer that came into the picture and the lawyer said
12 to them: "You signed it and your stuck". Sure they
13 changed their minds backward and forward because the
14 lawyer told them they were stuck. They had signed
15 it and legally if it went into court they were going
16 to be held to it. But the fact of the matter is they
17 called you up the next morning and said they didn't
18 want it.

19 MR. SALE: And I went right down
20 there. And I went down there on two other occasions.

21 MR. MACDONALD: You went down, but
22 the fact of the matter is they wanted to get out of
23 it and only because the lawyer told them they were
24 stuck with the legal --

25 MR. SALE: Mr. MacDonald, the first
26 time I went down Mrs. () wanted out. He said
27 No, he wanted definitely to buy it. He was a little
28 put out to have his daughter tell him he couldn't
29 afford it.

30 MR. MACDONALD: What about the extra



1 \$45.00 to get out of the deal?

2 MR. SALE: As I say, they had
3 changed their minds two or three times between them.
4 He was determined he was going to buy it and give
5 it to his daughter. When the deal had gone through
6 and was processed by Prudential --

7 MR. MACDONALD: By Premier.

8 MR. SALE: By Premier. Then normally
9 to buy these contracts back we pay in most instances
10 a minimum charge of \$10.00. We also had to make
11 an allowance for considerably less because of the
12 price on it. The dealer had given away virtually
13 all of his profit on it.

14 MR. MACDONALD: You mean he sold
15 it for 249 instead of 300 and something -- he shaved
16 the price by \$50.00 to begin with.

17 MR. SALE: I don't understand the
18 full impact of that method. He's gone a tremendously
19 long way on it there -- maybe \$100.00 there.

20 MR. MACDONALD: What is the commission
21 on the sale?

22 MR. SALE: Approximately 25%. It
23 works out on an average of about 20%.

24 MR. MACDONALD: So this man was really
25 out for the good of his health. He was selling the
26 product for less than it cost you?

27 MR. SALE: No.

28 MR. MACDONALD: Well, 25% of your
29 normal selling price --

30 MR. SALE: Is about \$80.00.



1 MR. MACDONALD: \$80.00. And the
2 normal selling price is what? \$309.00?

3 MR. SALE: Yes.

4 MR. MACDONALD: 80 off 309 would
5 take you down to about 229. So he was cutting his
6 profit to about \$20.00. Indeed he was cutting his
7 profit to \$20.00 and then there was a trade-in of
8 \$65.00 --

9 MR. SALE: Well presumably they
10 were two new units. Now we never did see them, the
11 daughter had them. We were accepting their description
12 of them in good faith that we could recoup the
13 difference on them.

14 MR. MACDONALD: Well all I can say,
15 Mr. Chairman, we can pursue this for hours -- is that
16 it's a very bizarre kind of selling. First you
17 are selling the product at about \$60.00 less than you
18 normally sell it, you were giving trade-ins that you
19 didn't see, you weren't halting the processing of
20 the contract when you were requested to do it. A lawyer
21 was in the picture all the way and then in addition
22 to the \$20.00 cash they had to pay another \$45.00 to
23 get out of the whole deal.

24 MR. SALE: I think the contract
25 was held for some four or five days. We were not paid
26 out and they were not sent any gifts.

27 MR. MACDONALD: I am very glad to
28 hear that you don't have any objection to a waiting
29 period, and in your instance I hope it's at least four
30 or five or six or seven days.



1 MR. SALE: None whatsoever.

2 MR. KERR: Wouldn't a waiting
3 period somehow affect your sales pitch, your basic
4 demonstration. I'm speaking of page 29 in this
5 booklet where it seems the object of the salesman
6 is to make the sale tonight. And you try (rest of
7 statement inaudible)

8 MR. SALE: Incidentally -- excuse me
9 for interrupting -- this is a general book that is
10 used all over the continent. This is produced by
11 the Scott-Fetzer Company of Cleveland, Ohio.

12 Another thing that we do do,
13 for instance, we do insist that the men go back on what
14 we call a re-demonstration within the first week to
15 make sure that the woman knows how to use it. As I
16 say, it's backed by a very extensive warranty.

17 MR. KERR: In the last paragraph in
18 the booklet: "However, the customer may indicate a
19 reluctance to buy tonight and therefore (rest of
20 sentence inaudible).

21 THE CHAIRMAN: Gentlemen, it a
22 quarter after one. If it's agreeable we will finish
23 with this gentleman, Mr. Sale, and then take a short
24 lunch. Does anyone else have any questions?

25 MR. IRWIN: Mr. Chairman, one thing
26 that has impressed me is how can we distinguish between
27 the high pressure companies that are somehow reprehensible
28 and aggressive selling that achieves the deal and makes
29 it stick. I wonder if you have any thoughts on that.

30 MR. SALE: Mr. Irwin, I know from my



1 own experience in this field that pressure is not
2 necessary. Now I can't vouch for what has happened in
3 the past. We do not like it, we do not approve of it.
4 Usually if I go out to verify with the customer I ask
5 them: "Was the salesman -- did he act like a gentleman
6 in your home? Did he give you all the details and so
7 on". 99.9% of the time they are very, very happy. They
8 want the product.

9 (Next section lost with loud noises
10 in background)

11 THE CHAIRMAN: Would the other lady
12 care to come up too? We welcome you here.

13 MR. IRWIN: I understand from Mr.
14 Reiter that you volunteered to come to give your comments
15 on your impression of the salesman that you dealt
16 with in each case. Are you the one who bought?

17 MRS. FRASER: Yes, I am.

18 MR. IRWIN: What was your impression
19 of the general approach?

20 MRS. FRASER: I was very happy with
21 it?

22 MR. IRWIN: You didn't feel that you
23 were being in any way coerced into buying this product?

24 MRS. FRASER: No. I had a phone
25 call -- there was no one banging on my door -- just a
26 phone call.

27 MR. IRWIN: It was a very gentlemanly
28 approach to the whole problem of making a sale and
29 you were happy with the price and you are satisfied
30 with the performance of the product?



1 MRS. FRASER: My mother has one
2 she has had for 15 years. My sister has had one for
3 20 years.

4 MR. IRWIN: Very good.

5 MRS. FRASER: And they were both
6 sold at the door -- I mean the same approach.

7 MR. IRWIN: Well, that's very nice.
8 Thank you very much.

9 MR. MACDONALD: Who asked you to
10 come this morning?

11 MRS. FRASER: Mr. Hickman, the
12 salesman, phoned me.

13 MR. MACDONALD: Is he the salesman
14 who sold you the product?

15 MRS. FRASER: Yes. He called me --

16 MR. MACDONALD: What did he say?

17 MRS. FRASER: He asked me would
18 I be interested in coming down -- he didn't even tell
19 me what it was.

20 MRS. PHILLIPS: We hadn't a clue
21 until I looked in the paper last night and read about
22 it. That's how I found out what I was in for.

23 THE CHAIRMAN: Well we are very
24 glad you are here today. Now you had a demonstration
25 of the machine and you were satisfied, but you didn't
26 buy?

27 MR. SEDGWICK: Why didn't you buy?

28 MRS. PHILLIPS: I didn't have the
29 money. (Rest of statement inaudible).

30 MR. SEDGWICK: Your only reason was



1 you couldn't afford it?

2 MRS. PHILLIPS: That's right.

3 Definitely -- the machine itself, like the encyclopaedia
4 -- it self itself. You know, I mean if you wanted it
5 you would buy it.

6 THE CHAIRMAN: Anybody else have
7 any questions?

8 MR. BUKATOR: I come from a very
9 small town and am not bothered too much by door-to-door
10 salesmen. Do you get quite a few calls -- one a month
11 or one a week?

12 MRS. PHILLIPS: I would say at least
13 once a month. And the majority of them, they talk,
14 and you have no idea what they are selling. They go
15 on for a few minutes before they say: "I represent
16 a certain company". They just go on and on and on
17 and finally you say: "What are you selling"? You
18 feel foolish because you should have known right from
19 the first place.

20 MR. BUKATOR: You have been questioned
21 by some bad, or quite rude, salesmen?

22 MRS. PHILLIPS: Yes, yes.

23 MR. MACDONALD: Was the original
24 solicitation to you through this recorded announcement?

25 MRS. PHILLIPS: Yes.

26 MR. REITER: I understand, Mr.
27 MacDonald, that is the practice of the company.

28 MR. SALE: May I ask the lady a
29 question? When the solicitation was made to you why
30 did you call back?



1 MRS. PHILLIPS: Just curiosity,
2 I guess.

3 MR. SALE: When the appointment was
4 made you and your husband were going to have a
5 demonstration in your home (rest of statement inaudible).

6 MRS. PHILLIPS: (Inaudible)

7 MR. BUKATOR: You live in the city.
8 Have you been bothered with these salespeople at your
9 door?

10 MRS. PHILLIPS: Not too much during
11 the day.

12 MRS. FRASER: (Inaudible).

13 MR. SALE: Mr. Chairman, I think
14 on this point, that these ladies have perhaps emphasized,
15 I insist that the men go back for a redemonstration
16 on one part -- with this equipment they do a really
17 professional job with shampooing. Usually we ask
18 them to go back and show them. Did they come back
19 for a re-demonstration?

20 MRS. FRASER: (Inaudible).

21 (Next section inaudible due to
22 background noise).

23 MR. LAWRENCE: We don't have the
24 opportunity to speak to people who actually come in
25 -- one of the purposes of this whole thing is to try
26 to regulate presumably a field in which there are a
27 great many abuses -- not only from the abuses point
28 of view (rest inaudible). After all you are two
29 representatives of the consuming public. Have you
30 any thoughts as to what we can do to catch some of these



1 crooks?

2 MRS. PHILLIPS: (Inaudible).

3 MRS. FRASER: (Inaudible).

4 MR. LAWRENCE: We had representatives
5 of the industry yesterday who said they see nothing
6 wrong with using (inaudible).

7 MR. PHILLIPS: (Inaudible).

8 MR. LAWRENCE: Do you think we
9 should ban youngsters from --

10 MRS. PHILLIPS: Yes, definitely,
11 definitely. (Rest inaudible).

12 MR. LAWRENCE: This is one of
13 the problems we get into.

14 THE CHAIRMAN: Are there any other
15 questions? Well, thank you very much gentlemen, and
16 ladies, for being with us today. We will adjourn
17 until two and we will reconvene here.

18
19 ---LUNCHEON ADJOURNMENT:
20

21 THE CHAIRMAN: Gentlemen, we will
22 reconvene the meeting. We are now to hear from Family
23 Publications Service of Canada Limited. Mr. Reiter
24 is here representing them. What is your name, sir?

25 MR. KUPTZ: My name is Kuptz. I
26 am representing Family Publications Service.

27 THE CHAIRMAN: Have you a statement
28 that you wish to make?

29 MR. KUPTZ: Yes, we will make a
30 brief statement, if we may.



1 THE CHAIRMAN: Proceed.

2 MR. KUPTZ: Family Publications

3 Service of Canada Limited is an Ontario corporation
4 engaged in the sale of subscriptions to approximately
5 30 Canadian and United States magazines. Orders are
6 solicited door-to-door.

7 Now we are a company wholly
8 owned by Time Incorporated and Parent's Institute.

9 MR. SEDGWICK: Owned by whom?

10 MR. KUPTZ: Time Incorporated,
11 publishers of Life, Time, Sports Illustrated and
12 Fortune; and Parents' Institute -- you are familiar
13 with the Parents' Seal of Approval. Each of these
14 companies owns half of us and we have offices in 200
15 major cities in the United States and Canada.

16 Now in all cases the price
17 of the magazines purchased by the subscriber on a
18 paid-during-service basis, which is the type of company
19 we are -- paid-during-service as opposed to cash
20 subscription -- a paid-during-service basis is lower
21 than the price the subscriber would have to pay for
22 the same magazines if the subscriptions were purchased
23 for one year at the one year subscription prices or
24 if the purchaser obtained the magazines on a single
25 copy basis from the newsstand. The only possibility
26 that exists for a subscriber to buy the magazines at
27 a price less than what they pay during service
28 subscription cost is when the subscriber purchases a
29 magazine on an individual subscription basis by mail
30 direct from the publisher at a cut rate offer or when



1 the publisher purchases an individual -- I'm sorry,
2 when the subscriber purchases an individual subscription
3 from the publisher at multiples of the one year
4 subscription terms.

5 The subscriber benefits from
6 the convenience of purchasing all magazines from a
7 single agency and does not need to take the trouble
8 to enter individual subscriptions to individual
9 magazines. Any servicing of subscriptions which
10 may arise can again be handled through the agency
11 rather than through the individual publishers. And
12 we will end our statement at this time.

13 MR. SEDGWICK: I only know what you
14 have just told me about your business. Do you sell
15 American and Canadian periodicals?

16 MR. KUPTZ: Yes, we do.

17 MR. SEDGWICK: And you sell about
18 30 altogether?

19 MR. KUPTZ: Approximately 30.

20 MR. SEDGWICK: Do you sell such
21 things as Time?

22 MR. KUPTZ: Yes.

23 MR. SEDGWICK: And how do you sell?
24 That is, if you go to the householder and sell her
25 a subscription to Life and Time, shall we say, and
26 the total is -- I don't know what it would be for a
27 two year subscription, do they pay so much down, or
28 what is your method?

29 MR. KUPTZ: We are a paid-during-
30 service company. We handle a package which will



1 consist of Life and Post, plus three additional
2 magazines. They pay this --

3 MR. SEDGWICK: Could a person
4 buy just Life or just Post?

5 MR. KUPTZ: No, we do not handle
6 single subscriptions.

7 MR. SEDGWICK: Oh, so they have
8 to buy the package, is that right?

9 MR. KUPTZ: That's correct.

10 MR. SEDGWICK: Yes. And the
11 package consists of two or more?

12 MR. KUPTZ: The package would
13 consist of Life plus an additional five magazines.

14 MR. SEDGWICK: So they would buy
15 six magazines?

16 MR. KUPTZ: Actually it's Life and
17 Post plus three.

18 MR. SEDGWICK: I see. And you won't
19 sell just Life or just The Post or just Life and The
20 Post?

21 MR. KUPTZ: No, we do not handle
22 single subscriptions.

23 MR. SEDGWICK: What are the other
24 three. Have they a choice?

25 MR. KUPTZ: You have your choice of
26 a list of approximately 30. Maybe, Mr. Reiter, if you
27 would hand out the magazine lists that our men use.

28 MR. SEDGWICK: I'll give you a list
29 of magazines that I do subscribe to. I subscribe to
30 Harper's, the Atlantic and the New Yorker, for instance.



1 Could I buy those?

2 MR. KUPTZ: You could not get those
3 from us, no, sir.

4 MR. SEDGWICK: So when your
5 salesmen sell this, as a compulsion Life and Saturday
6 Evening Post, and then he checks three of this list,
7 is that correct?

8 MR. KUPTZ: That's correct.

9 MR. SEDGWICK: So that they would
10 buy five magazines. How much then would they pay
11 for a one-year subscription?

12 MR. KUPTZ: I have to clarify this.
13 These are not one-year subscriptions. In other
14 words this is a 48 month plan.

15 MR. SEDGWICK: How much?

16 MR. KUPTZ: 48 months -- four years,
17 paid off in the first two years, at the rate of \$3.75
18 a month.

19 MR. SEDGWICK: How much?

20 MR. KUPTZ: \$3.75.

21 MR. SEDGWICK: \$3.75 a month. And
22 then they get these five magazines for four years
23 and they pay \$3.75 a month for 24 months, is that
24 it?

25 MR. KUPTZ: That is correct.

26 MR. SEDGWICK: Oh, I see.

27 MR. KUPTZ: In addition to a down
28 payment to the sales agent of \$3.75.

29 MR. SEDGWICK: So that they really
30 pay --



1 MR. KUPTZ: There are a total
2 of 25 payments of \$3.75.

3 MR. SEDGWICK: Twenty-five payments.
4 And what commission does the seller get out of that?

5 MR. KUPTZ: Commissions would
6 vary depending upon the experience of the agent,
7 how long he's been with us. They start out at
8 approximately \$5.00 per order.

9 MR. SEDGWICK: \$5.00 per order.
10 And they go up to where?

11 MR. KUPTZ: Gentlemen, our business
12 is very competitive and --

13 MR. SEDGWICK: If you don't want
14 to tell me it's all right .

15 MR. KUPTZ: It's no secret. If it
16 stays within the room which apparently it can't at
17 the present time -- I have no objection to your
18 knowing --

19 THE CHAIRMAN: You can give it
20 privately to the Secretary.

21 MR. SEDGWICK: I doesn't matter.
22 How many do you have door-to-door in Ontario?

23 MR. KUPTZ: This figure will
24 vary. It may range anywhere from 25 to 100.

25 MR. SEDGWICK: No more than 100?

26 MR. KUPTZ: Well, we'd like it to
27 be more.

28 MR. SEDGWICK: At the moment --

29 MR. KUPTZ: At the moment it is no
30 more than 100.



1 MR. SEDGWICK: You were probably
2 here this morning and heard the lady who said that
3 the greatest nuisance she had to contend with was
4 the magazine salesmen, and many of them are boys
5 who are going through college or say they are going
6 through college. Do you hire that type of salesmen?

7 MR. KUPTZ: No, we do not.

8 MR. SEDGWICK: You hire only
9 adults?

10 MR. KUPTZ: No, we hire young men.
11 However, I believe this woman was talking about the
12 type of sales presentation that these persons who
13 approached her used. And we do not sanction and
14 certainly do not use anything connected with going
15 through college.

16 MR. SEDGWICK: Do you have any
17 gimmick connected with your sale, other than the
18 assumed value of the periodicals that you are selling?
19 Do you have any giveaways or anything of that kind?

20 MR. KUPTZ: You mean in regards to
21 a premium? No, we do not.

22 MR. SEDGWICK: Then you don't sell
23 on a premium basis, eh?

24 MR. KUPTZ: No.

25 MR. SEDGWICK: Is there any reason
26 why you wouldn't permit persons to buy just Life and
27 Saturday Evening Post. Why do you sell a package?

28 MR. KUPTZ: Well, in the industry,
29 in the magazine industry you will have companies that
30 deal in cash subscriptions only. They cannot be geared



1 to handle our type of sale. And the converse is true.
2 Our company is geared, the entire organization, to
3 handle a paid-during-service sale, but we are not
4 geared to handle cash subscriptions.

5 MR. SEDGWICK: So that the only
6 cash that your salespeople take is the downpayment
7 of \$3.75, is that correct?

8 MR. KUPTZ: That is correct.

9 MR. SEDGWICK: And then do you
10 finance your paper in any way? That is, do you hold
11 it yourselves?

12 MR. KUPTZ: We hold it ourselves.

13 MR. SEDGWICK: You don't finance
14 it with any finance company?

15 MR. KUPTZ: No, we do not.

16 MR. SEDGWICK: And there is no
17 cash price so it is impossible to separate the
18 cash price from the credit price?

19 MR. KUPTZ: As far as we are
20 concerned, we do not handle cash subscriptions. There
21 is a cash price on the magazines, which are the
22 subscriptions prices. If these people care to
23 subscribe to these magazines on their own.

24 MR. SEDGWICK: Yes. And you say
25 that if they did they would not save anything over
26 what they get by buying the package deal?

27 MR. KUPTZ: Let me go over this
28 once more slowly. In fact, if I may, I'll read this
29 whole paragraph.

30 In all cases the price of the



1 magazines purchased by the subscriber on a paid-during-
2 service basis is lower than the price the subscriber
3 would have to pay for the same magazines if the
4 subscriptions were purchased for one year at their
5 one year subscription prices. In other words, if
6 this person were to go out and subscribe to Life
7 Magazine for one year for four years in a row, we
8 would be able to provide him with that magazine at
9 a lower price.

10 MR. SEDGWICK: Suppose they
11 subscribe for four years to Life though?

12 MR. KUPTZ: I'll give you that,
13 if I may. Or if the purchaser obtained the magazines
14 on a single copy basis on the newsstand. In other
15 words, if they were to go out and purchase these on
16 a newsstand we can save them anywhere from 40 to 60%
17 over and above their purchase price, what they are
18 going to have to pay. The only possibility, and I
19 will come to your question -- the only possibility
20 that exists for a subscriber to buy a magazine
21 subscription at a price less than what the paid-during-
22 subscription cost is is when the subscriber purchases
23 a magazine on an individual subscription basis by
24 mail direct from the publisher at a cut rate offer.
25 In other words, frequently to engender new business
26 publishers will send out a special mailing. Or when
27 the --

28 MR. SEDGWICK: I think they all
29 have a diminishing price for a longer period, don't
30 they? That is a one year subscription to Life may be



1 so much, but a two year subscription will not be
2 twice that much?

3 MR. KUPTZ: No.

4 MR. SEDGWICK: And a three year
5 will not be three times that much?

6 MR. KUPTZ: No. Or when a
7 subscriber purchases an individual subscription from
8 a publisher at the multiples of the one year
9 subscription term, that is two year, three year or
10 four year.

11 MR. SEDGWICK: If I were to
12 subscribe to Life for four years what I would pay
13 would be probably less than what you charge for Life
14 for four years?

15 MR. KUPTZ: Well, I have to make
16 this point at this time. In our business people pay
17 us for the magazines over a period of time. If a
18 person were to subscribe to these magazines he
19 would have to pay for those magazines at that time.

20 MR. SEDGWICK: That's right, so
21 that they get an ingredient of their money, the cost
22 of credit?

23 MR. KUPTZ: It's not cost of credit,
24 no.

25 MR. SEDGWICK: What I mean is, cash
26 has value over a four year period. They do get as
27 an ingredient of the money they pay the cost of
28 carrying them for four years, is that right? Because
29 -- let me put it differently. If one of your salesmen
30 came to my door and interested me -- which is improbable



1 -- in buying Life and Saturday Evening Post and a
2 few of these magazines, and I said: "All right, what
3 is it for four years and I'll give you my cheque",
4 you wouldn't accept that offer.

5 MR. KUPTZ: We could not. We don't
6 handle cash subscriptions. We handle only paid-
7 during-service --

8 MR. SEDGWICK: Then you don't have
9 a cash price?

10 MR. KUPTZ: No, we don't.

11 MR. SEDGWICK: You only have a
12 time price.

13 MR. KUPTZ: That's right.

14 MR. SEDGWICK: How do they pay
15 it? Do you bill them monthly or do you give them
16 coupons or what happens?

17 MR. KUPTZ: They have their choice
18 of payments. We have collectors in the field, not
19 only in Toronto but in the agencies in Ontario that
20 we work, that will service these accounts, that will
21 collect them at the door. Or if they so desire
22 they can mail their payments in monthly.

23 MR. SEDGWICK: You don't give them
24 some coupons or post dated cheques or anything of
25 that kind that they fill in?

26 MR. KUPTZ: No.

27 MR. SEDGWICK: Do you have very
28 many complaints about the methods of your salesmen?
29 Say from people who are pressured into buying?

30 MR. KUPTZ: Let me answer that this



1 way. We deal in a buying business --

2 MR. SEDGWICK: About what, about
3 how many customers at the present time, are on your
4 subscription list in Ontario?

5 MR. KUPTZ: That again is infor-
6 mation that will be made available to you privately,
7 if you so desire.

8 MR. SEDGWICK: All right. Now you
9 deal in a volume business. Percentagewise could you
10 give us that information?

11 MR. KUPTZ: Well, we service these
12 accounts for a period of 48 months, we are responsible
13 for delivery on them. Right? We may -- it's
14 reasonable to assume that if we deal -- let me just
15 use the figure of 1,000 -- if we are to deal with
16 1,000 accounts and throught the period of four years
17 on those 1,000 accounts there is -- not necessarily --
18 but there is going to be some type of complaint involved.
19 There may be a complaint involved. But I could not,
20 unless I took a group of accounts, I couldn't give
21 you a figure.

22 MR. SEDGWICK: Well, I was thinking
23 of complaints like Mr. Letherby's friend who could
24 neither read nor write but was pressed into buying
25 the Encyclopaedia Britannica. That was a piece of
26 superb salesmanship. Do you have many cases like that?

27 MR. KUPTZ: Let me point this out.
28 Our sales are made in the field. These sales
29 represent accounts to us that we have to deal with
30 for a period of 48 months. We have built in to our



1 company a system that if such a situation should
2 arise we could immediately detect it. In other
3 words, we have what we call a verification system.
4 I heard mention before of a four day waiting period.
5 Well, built into our operation we have an automatic
6 seven day waiting period wherein we verify this
7 account and the terms these people have agreed to,
8 the magazines they are to receive, the amount of money
9 they are to pay, the correct address, the fact that
10 the sales agent conducted himself well. These things
11 we cover in our verification.

12 MR. SEDGWICK: Which you send to
13 them, do you?

14 MR. KUPTZ: Yes. We verify it
15 twice. Every account that is sold is sent a veri-
16 fication postcard which Mr. Reiter will pass out.

17 MR. REITER: (Inaudible)

18 MR. KUPTZ: The verification card,
19 Mr. Sedgwick, is a double postcard which we have
20 prepaid return postage, verifying the terms of this
21 agreement.

22 MR. SEDGWICK: I see. Then you
23 get that back.

24 MR. KUPTZ: That's correct. Now
25 in addition to this postcard we have a man that we
26 call a verifier who contact again every account either
27 on the telephone or if they do not have a telephone
28 in person at the door. And the reason we do this is
29 that since these magazines are going to be mailed to
30 these people, if the card for some reason did not arrive,



1 then we catch it when the man goes to the house.

2 MR. SEDGWICK: So that unless you
3 get back this verification card -- and I am looking
4 at the one I have in my hand which happens to say
5 that the list of magazines is correct, that the
6 downpayment was made as specified, that they are
7 to make the monthly payments as specified and they
8 have to fill that in, their name and address is
9 correct, and I found your sales agent courteous and
10 businesslike enough to warrant being invited into
11 our home. They have to fill all that out themselves.
12 So when you get that verification, I think you are
13 right that you are justified in assuming that it
14 was a businesslike and bona fide sale. How long
15 has this practice of sending out verification cards
16 been used?

17 MR. KUPTZ: It's been in use ever
18 since I've been with the company, and that's seven
19 years.

20 MR. SEDGWICK: What do you do
21 with defaulters? Do you sue them, cancel them, or
22 what do you do?

23 MR. KUPTZ: Well, it depends on
24 what you mean by a defaulter.

25 MR. SEDGWICK: Well, suppose someone
26 doesn't pay their \$3.75 a month?

27 MR. KUPTZ: Well first of all, with
28 the verification we go through, the means we use to
29 make sure we are putting good business on our books,
30 right? We attempt to hold this type of individual down



1 to a minimum. We have a collection effort that
2 our branch in Ontario exerts upon a delinquent account.
3 The collector in the field will call on this account
4 and he will also get help -- these people will receive
5 reminders, billing letters, from our company. When
6 it comes to a certain point that we have exhausted
7 our collection efforts in Ontario, these accounts
8 are then signed over to the home office.

9 MR. SEDGWICK: Do you use the
10 Ontario Commercial Exchange, is that a house agency
11 of yours?

12 MR. KUPTZ: No, it is not.

13 MR. SEDGWICK: Never heard of it,
14 eh?

15 MR. KUPTZ: No, I know nothing
16 about it.

17 MR. SEDGWICK: So your collection
18 system remains an internal collection service. You
19 don't assign the accounts to a collection agency?

20 MR. KUPTZ: I do not assign any
21 accounts to a collection agency. I assign accounts
22 to New York, to the home office. And what they do
23 with them is up to them to decide.

24 MR. SEDGWICK: How do they decide?
25 You must know. What do they do with it, with the
26 accounts that you send to them?

27 MR. KUPTZ: Well, there is a
28 collection -- I don't follow your question.

29 MR. SEDGWICK: Well, it's very
30 simple. Let us suppose that Mr. X has signed all your



1 documents and has paid his first \$3.75 and possibly
2 his second \$3.75 and then for five or six months
3 he doesn't pay you at all so he owes you about
4 \$25.00. You have exhausted all your internal efforts
5 to collect. You then send that delinquent account
6 down to New York?

7 MR. KUPTZ: Well, before we let
8 it leave our branch I may assign our attorney, because
9 many times it was mainly through a misunderstanding
10 that these people refuse to pay.

11 MR. SEDGWICK: Well, all right,
12 there is nothing wrong with that. So you give it
13 to your lawyer. Then if that doesn't have any effect
14 do you sue or do you sign the account to some central
15 clearing or what do you do?

16 MR. KUPTZ : We have not sued.

17 MR. SEDGWICK: But you bring what
18 pressures you can think of to bear. Of course you
19 can't repossess, there is no question about that, of
20 a conditional sales.

21 And you say you have, at
22 tops, about 100 salesmen in Ontario?

23 MR. KUPTZ: It will vary from 25
24 to 100. We do not have 100 now.

25 MR. SEDGWICK: No. And are they
26 full-time?

27 MR. KUPTZ: Most of our agents are
28 full-time.

29 MR. SEDGWICK: You don't use boys --
30 not the kind of selling that was complained of this



1 morning? Were you here this morning?

2 MR. KUPTZ: Yes, I was here.

3 MR. SEDGWICK: Did you hear this
4 Mrs. Phillips?

5 MR. KUPTZ: Yes, I did. We do
6 not have -- let me answer that this way -- we do not
7 have anyone in our organization who is working their
8 way through college, who is working for points to
9 take a trip somewhere, or any other sales methods,
10 if you call them sales methods. We don't use them.

11 MR. SEDGWICK: I see. That's all
12 I have.

13 THE CHAIRMAN: Mr. Irwin?

14 MR. IRWIN: Yes, Mr. Chairman. Two
15 or three questions relating to the format of this
16 thing. I just made some calculations here. Life
17 comes weekly and Post comes weekly?

18 MR. KUPTZ: That's correct.

19 MR. IRWIN: And these others are
20 all monthly, are they?

21 MR. KUPTZ: You will find several
22 that come every two weeks. You will find some
23 magazines that are classified as counting for two,
24 which are high priced magazines. You will find
25 MacLeans on there which comes every two weeks. You
26 will find Downbeat, which I believe comes every two
27 weeks. But the majority of them are monthly magazines.

28 MR. IRWIN: What is the meaning
29 of "Quality (2)"?

30 MR. KUPTZ: That's a magazine that



1 we classify as counting for two.

2 MR. IRWIN: Oh, so that you could
3 select that and one other?

4 MR. KUPTZ: That's right.

5 MR. IRWIN: For your three?

6 MR. KUPTZ: Right.

7 MR. IRWIN: Well then these
8 calculations may not mean anything, but the principle
9 that you get two magazines weekly for 48 months or
10 208 issues of each one. And if the others are the
11 monthly type you would get 144 issues for 48 months --
12 48 times 3 or 144, if the three of them were monthly?

13 MR. KUPTZ: That's right.

14 MR. IRWIN: I just did this to
15 get an average price, and it worked out on that basis
16 to 15.7 cents per copy which certainly is less than
17 the newsstand price.

18 MR. KUPTZ: Right.

19 MR. IRWIN: You say your company
20 is owned 50% by Time?

21 MR. KUPTZ: That's right.

22 MR. IRWIN: But you don't sell
23 Time?

24 MR. KUPTZ: We do not handle Time,
25 no.

26 MR. IRWIN: Any reason for that?

27 MR. KUPTZ: This would have to be
28
29 a home office decision. It is not available to me.
30 In other words, from time to time our magazine list



1 will change. We will add a magazine or drop a
2 magazine. I don't get the reasons for it, all I
3 get is add them or drop them.

4 MR. IRWIN: Do you use the team
5 method of selling? In other words, a man goes out
6 in a car and he's the head of the team and he --

7 MR. KUPTZ: That is one of the
8 methods of selling that we would use, yes.

9 MR. IRWIN: Is it a common method?

10 MR. KUPTZ: It's a common method,
11 yes.

12 MR. IRWIN: Another question. The
13 fact that you have restricted a sale to a package --
14 they must take five subscriptions -- they can't take
15 more and they can't take less --

16 MR. KUPTZ: We handle one package.
17 We have a price list. We have different packages
18 that we may handle. However we only deal with one
19 at the present time. We may deal with others, but
20 we do not deal with cash subscriptions.

21 MR. IRWIN: Of this package, a
22 person pays \$93.75 for the period. How much of that
23 -- or is this a trade secret -- would be remitted
24 to the publisher?

25 MR. KUPTZ: That I do not know. It
26 is not handled by myself. It again is handled by
27 the home office.

28 MR. IRWIN: In other words you
29 just make the collections and forward them on intact?

30 MR. KUPTZ: Right.



1 MR. IRWIN: How does your salesman
2 get paid then?

3 MR. KUPTZ: Our salesmen are paid
4 on a commission basis.

5 MR. IRWIN: Well then if the \$93.75
6 passes right through to the home office the home
7 office pays the salesman, is that correct?

8 MR. KUPTZ: No, I'm sorry. We have
9 nothing to do -- you see, when an order is entered
10 with us, when we take an order we verify that order,
11 as I have explained to you, twice, in fact sometimes
12 a third time. At that time every week we send orders
13 into the home office. Right? We handle, we pay
14 our men out of this branch and New York submits to
15 us the amount of monies necessary to pay the commissions.

16 MR. IRWIN: I see. This is all
17 serviced in New York?

18 MR. KUPTZ: That's right.

19 MR. IRWIN: I'm just trying to
20 establish -- the salesman doesn't get some of the
21 money -- like he can keep the \$3.75 --

22 MR. KUPTZ: Yes, the first \$3.75
23 is the salesman's. Yes. That's part of his commission.

24 MR. IRWIN: He would get something
25 else besides that? Is the salesman permitted to alter
26 the terms in any way? When he gets the order from
27 the customer is this a strict deal?

28 MR. KUPTZ: That's right.

29 MR. IRWIN: The subscriber has taken
30 five magazines for 48 months and they pay \$3.75 down,



1 no more no less, and the rest is submitted directly
2 by the purchaser to the New York office?

3 MR. KUPTZ: No, no, we handle
4 the collection service.

5 MR. IRWIN: Oh, that goes to you?

6 MR. KUPTZ: That's right. In
7 other words, we have collectors who only work part-
8 time to service these accounts and make the monthly
9 collections on them. Or the people may, if they
10 wish, mail these monies into our branch in Ontario.
11 In other words, the collections are handled here.

12 MR. IRWIN: Right here. Okay.
13 In this brochure, the verification -- "Unless we hear
14 from you within two days" -- in other words, if
15 the person neglects to send this in it is automatically
16 a contract?

17 MR. KUPTZ: No. It is subject
18 to a second verification either by phone or at the
19 door. In other words, we find that very possibly
20 an order is taken and the next day these people may
21 leave on a two-week vacation. Right? That order
22 is entered in our office, it's come in to our office --
23 it's sold on Monday and come into the office on a
24 Tuesday. It is then carded. That card is mailed
25 out. Right? These people are no longer there and
26 this is why the second verification is done. When
27 the verifier calls these people they won't answer
28 the phone. Or if they don't have a phone he goes
29 to the door and he will not get an answer. If he
30 goes next door he is going to find out very possibly



1 these people are on vacation and at that time that
2 ordered is held, it is not entered, no commissions
3 are paid out until it is verified.

4 MR. IRWIN: I see. So this two
5 days really has no starting point.

6 MR. KUPTZ: It has a value to
7 us in that we pay out very good money to get these
8 orders verified and if a person returns this card
9 with everything in agreement, we still contact these
10 people but we know that the verifier is not going
11 to have to hold back on it. Right? In other words,
12 if we get this back we know that we've got it, but
13 we will still check it out. But we know we have a
14 good order.

15 MR. IRWIN: In other words the two
16 days perhaps has no significance really because you
17 don't consider it an order until you verify it.

18 MR. KUPTZ: That's right. We all
19 tend to procrastinate occasionally, and we feel that
20 with two days on there it is going to motivate some
21 people to mail it in. It makes our job easier. But
22 we, as I explained, have a built in minimum of seven
23 days waiting period.

24 MR. IRWIN: The two days, in fact,
25 is just a spur to get people moving to get the card
26 back.

27 MR. KUPTZ: That's right.

28 MR. IRWIN: As far as you are
29 concerned you won't consider it a valid order until
30 you have got a verification by one means or another



1 at some time or other?

2 MR. KUPTZ: That is correct,
3 that is correct.

4 THE CHAIRMAN: Mr. Kerr?

5 MR. KERR: You say you don't have
6 anyone in your organization who is working their way
7 through college or earning points to take a trip.
8 Do you have any of your salesmen --when they attempt
9 to sell their magazines -- do they in any way
10 indicate that they are taking part in some form of
11 a contest? Whether they are or not -- they may be
12 salesmen full time and don't intend to do anything
13 else for the rest of their life but sell magazines --
14 but do they state that they are taking part in any
15 type of contest or working in order to earn money
16 to do something else?

17 MR. KUPTZ: No, they do not. Now,
18 let me qualify that. It would be ridiculous for me
19 to sit here in front of you gentlemen and say that
20 every individual that we have had working for our
21 organization in the past or is working now or might
22 be working in the future is going to be lily-pure ---
23 correct? We do not train these men to sell this
24 way and we weed out men who might choose to use this
25 technique and this is we find our verification system
26 such an advantage.

27 MR. KERR: Do you use the team
28 method of selling? Do you have more than one person
29 attending at a customer's door at one time?

30 MR. KUPTZ: There may be in the event



1 that there is a new man being trained by a more
2 experienced person. That's the only time there
3 would be two men at the door. And then one man
4 is doing the talking and the other one is doing the
5 listening.

6 MR. KERR: Is a copy of this
7 left with the customer at the door?

8 MR. KUPTZ: Yes, they get the
9 carbon copy and we have the original.

10 They also receive at the
11 time they take the order -- you see that green
12 guarantee slip? That is left with each account.

13 MR. KERR: The back of this, I
14 suppose, would be for your own use?

15 MR. KUPTZ: Well, it's for our
16 use and theirs. In other words, it's on the back
17 of every copy. Our collectors carry the original
18 and they keep a copy in their house. So when we
19 collect a payment the collector will receive their
20 copy and also ours.

21 MR. KERR: Can you buy just one
22 magazine or do you have to buy your package?

23 MR. KUPTZ: I beg your pardon?

24 MR. KERR: You just sell one
25 package deal?

26 MR. KUPTZ: Right. We have
27 packages -- right? This particular package that I
28 am presenting to you now is the one that we handle.

29 MR. KERR: Do I take it that the
30 monthly payments are the same on that one type of



1 package?

2 MR. KUPTZ: That's right.

3 MR. KERR: Do you have a price list
4 that the customer gets when he's picking out his
5 books?

6 MR. SEDGWICK: They sell a package.

7 MR. KERR: What I am getting at
8 is what is the customer paying for for \$3.75 a month.

9 MR. SEDGWICK: I'll tell you
10 what he's paying for -- correct me if I'm wrong -- he's
11 paying for Life, The Saturday Evening Post and any
12 three of these magazines that he selects and it
13 doesn't matter which he selects, although some of
14 the magazines -- it doesn't matter what he selects.

15 MR. KERR: It's the same price?

16 MR. SEDGWICK: It's the same price.

17 MR. KERR: Well, that's what I'm
18 getting at. He's paying for the service.

19 MR. SEDGWICK: And that total price
20 is less than either the newsstand price or the one-year
21 subscription price of these magazines. Isn't that
22 right?

23 MR. KUPTZ: That's right, yes.

24 MR. ROWE: Did you say or not, do
25 you have a credit check on your customers?

26 MR. KUPTZ: No, we do not have what
27 you would call a credit check. When we verify an
28 order one of the things we check into is whether or
29 not the person who bought that order is working.
30 Right? In other words we want to make sure they have a



1 job. But we don't have a real credit check. We are
2 not dealing with a five or six hundred dollar
3 object. We are dealing with something that is
4 relatively small compared to the purchase of a house
5 or a car.

6 MR. ROWE: You do have a sales
7 training course, I gather, from your remarks. Is
8 that right?

9 MR. KUPTZ: Well, our managers
10 are responsible for training the men.

11 MR. ROWE: I see. Are they
12 instructed to engage in double talk, along this
13 line for instance? They come to the door and you
14 try to find out what they are selling but you never
15 find out.

16 MR. KUPTZ: In most cases the
17 person who makes the initial contact very seldom
18 goes into the house.

19 THE CHAIRMAN: Mr. Reilly?

20 MR. REILLY: There are one or
21 two things I would like to clarify, Mr. Chairman.

22 If someone refuses to pay
23 his account and you can't collect here, you send it
24 on to New York to collect or to do whatever they
25 want to. Do you cancel their subscription when you
26 haven't been able to collect for six months or a
27 year? Do you continue to send it for four years?

28 MR. KUPTZ: Let me answer that
29 this way if I may. After we have exhausted our
30 collection efforts here at this branch, the final



1 outcome on that account would be a decision by the
2 home office. I am empowered -- let me put it this
3 way -- if it got to a point -- let's take an example
4 where someone has lost a husband and is not working
5 and they are sincere. Now many people will conjure
6 up stories in order to avoid paying for things -- I'll
7 lay the cards on the table -- in order to avoid
8 paying for things they at one time wanted, and signed
9 for. We are in business, gentlemen, to make a profit.
10 Right? That's why we exist. We will investigate a
11 case like this and if what the subscriber is telling
12 us is true we will cancel that account.

13 MR. REILLY: What do you consider
14 undesirable practice in your industry?

15 MR. KUPTZ: I consider undesirable
16 practices in this industry the particular thing
17 that this gentleman -- I forget who it was -- was
18 speaking about, the ones that these ladies mentioned
19 this morning, the use of under-the-table methods in
20 order to sell, the ramrodding of a contract where
21 it was not given a verification. I believe that
22 would pretty well take care of it.

23 MR. REILLY: Any suggestions to
24 this Committee?

25 MR. KUPTZ: Well, the only suggestion
26 I would be prepared to make would be naturally, we
27 are all in favour of this waiting period since it is
28 already built into our company. We have absolutely
29 nothing against it. And perhaps working with law
30 making bodies -- the Central Registry -- I talked to



1 them yesterday -- they are our governing body and
2 if they should in any case receive complaints or
3 if there are any circumstances of things that are
4 brought to their attention which are not according
5 to our code, it is immediately brought to the
6 attention of the person running that organization
7 and it's up to him to take steps in order to correct
8 it. To be a member of the Central Registry puts
9 a company in a very valuable position because some
10 of our advertising is directed towards the fact
11 that if the magazine salesman is not qualified to
12 identify himself as being a member of the Central
13 Registry, then to put it bluntly you are on your
14 own if you want to do business with him.

15 MR. REILLY: In other words it
16 is a protection to the consumer for an agency to
17 belong to the Central Registry?

18 MR. KUPTZ: It's a protection for
19 the consumer and the agency. Right.

20 MR. SEDGWICK: Your people all
21 carry that Central Registry card, do they?

22 MR. KUPTZ: Yes.

23 THE CHAIRMAN: Any other questions?

24 MR. BUKATOR: My experience has
25 not been too pleasant with your salespeople. They
26 come in to a small town -- usually you talk about men
27 -- we have had them come in --

28 MR. REILLY: This same company?

29 MR. BUKATOR: I don't know, I'm
30 trying to find out. They come in with a man and several



1 girls in the summertime, during the time out of
2 college maybe. They come in and they try to sell
3 you a series of books, and you say that you don't
4 want them, kindly at first and you cut them off in
5 the middle of their pitch because you don't want
6 their books. The last encounter was that I was
7 a miserable, unreasonable, impatient man. This was
8 the completion of our transaction. I couldn't cut
9 her off any other way so I had to get rude and she
10 told me what she thought of me. She no doubt was
11 right.

12 But after your people
13 sell the customer and they become delinquent -- I
14 will follow up on what you said, there are some you
15 write off because the man is sick or --

16 MR. KUPTZ: Extenuating circum-
17 stances.

18 MR. BUKATOR: That's right. Now
19 what happens to the fellow when you find out he
20 can pay.

21 MR. KUPTZ: I beg your pardon?

22 MR. BUKATOR: The one who can
23 pay you find, in your investigation of that
24 individual, and who does not continue with his payments
25 for some reason or another. How do you go about
26 collecting that? Have you been in the position where
27 you have called people long distance collect? Has
28 this happened in your organization?

29 MR. KUPTZ: We have, on occasion,
30 done this.



1 MR. BUKATOR: Then the next step
2 is, if you don't get the desired result then you
3 put it in the hands, do you, of someone other than
4 yourselves to possibly write them a letter, if
5 this happens?

6 MR. KUPTZ: We may do this.

7 MR. BUKATOR: You may do that as
8 the next step. And then you find that he is still
9 capable, in your opinion, he can pay and can afford
10 to pay and does not. Do you sue him?

11 MR. KUPTZ: We have not sued.

12 MR. BUKATOR: You have not to this
13 day sued him in your particular operation.

14 MR. REITER: (Inaudible).

15 MR. BUKATOR: The home office may
16 then press for their money, which they are entitled
17 to do. You don't know whether they have taken the
18 necessary steps -- I think when it comes to this
19 point they will pay their bill, but no one has been
20 sued, to the best of your knowledge, for that amount
21 of money?

22 MR. KUPTZ: Not to my knowledge.

23 MR. BUKATOR: Then I should think
24 the problem some of these people have -- they
25 subscribe for five units or five books, you contact
26 the companies that are to send these books out to this
27 particular person, how long after I sign a contract
28 with you today do I start getting delivery of these
29 books?

30 MR. KUPTZ: You normally start



1 receiving delivery in from six to eight weeks after
2 your contract is entered.

3 MR. BUKATOR: Then the contract
4 doesn't come into effect for --

5 MR. KUPTZ: In other words, if
6 it's written, let's say on a Monday and we verify
7 it on -- let's say it's written on a Friday -- we
8 have the weekend to go, we have the rest of the
9 week to go. It's verified on a Wednesday, the
10 terms are acceptable to you, we enter it the next
11 Friday. So in that case you would receive your
12 books anywhere from six to eight weeks from the date
13 of the entry of that order -- six to eight weeks
14 plus one week. In other words it takes a week to
15 clear that account.

16 MR. BUKATOR: The problem, I
17 believe, in some instances, Mr. Chairman, is all of
18 the books don't come through. People are a little
19 bit cautious of the fact they are paying money for
20 something they are not getting, and this is where
21 you enter into a bit of trouble, do you not?

22 MR. KUPTZ: Let me explain that
23 this way. Mr. Reiter is providing you with forms
24 that we use to contact various publishers and our
25 home office in regard to a complaint concerning
26 delivery. Now, all complaints are processed daily.
27 We receive a complaint on a Monday, it has been
28 processed by Tuesday. Many times a magazine might
29 be delayed. For some reason it was led astray. And
30 we check up and find out why those people are not



1 getting their books. Now one of two things have
2 happened. Either they are not getting their books
3 or they are getting them and telling us they are
4 not getting them. Let's say they are not getting
5 them. We enter this complaint form you have been
6 provided with with the various publishers and with
7 our home office and we rectify the matter. We
8 automatically extend that particular magazine for
9 two months and very often -- in more cases than not --
10 extend the due date of the next payment.

11 MR. EDWARDS: (Inaudible).

12 MR. KUPTZ: Well, possibly in an
13 individual case, but we are dealing in volume
14 business and we find that they answer our mail.

15 MR. EDWARDS: (Inaudible).

16 MR. KUPTZ: A letter in regards
17 to a customer?

18 MR. EDWARDS: Sure.

19 MR. KUPTZ: May I point this out
20 too. We have the green guarantee slip that you all
21 have and also on our contract it states that the
22 order is guaranteed by a \$500.00 bond when signed by
23 an agent presenting a current Canadian Central
24 Registry licence. This guarantees delivery of these
25 magazines. It's the bond that we post with the
26 Central Registry. In other words we are in a sales,
27 service and collection business. We have to not only
28 sell these accounts, gentlemen, we have to live
29 with them for 48 months. Right? And a good part of
30 our business would be our renewal effort. In other



1 words, after an account has expired we attempt to
2 renew that account.

3 MR. BUKATOR: It would be to your
4 interest then to see that the customers were happy.

5 MR. KUPTZ: That's right.

6 MR. BUKATOR: The problem comes
7 in the first instance where the magazines come
8 through quickly and you get the payment -- how many
9 days do you take after the first payment -- they
10 have paid you the first two or three times and
11 then they don't come through with their payments
12 because they are not getting their books. What
13 steps do you take then to find out what the story
14 is on that issue?

15 MR. KUPTZ: As soon as we receive
16 a complaint --

17 MR. BUKATOR: They are not
18 complaining, they are just not sending the money
19 because the books haven't come.

20 MR. KUPTZ: Well, they are not
21 sending our money and we don't know why. We have
22 to assume they don't want to pay us.

23 MR. BUKATOR: That's where the
24 telephone call comes in? That's where you call them
25 on the phone to find out?

26 MR. KUPTZ: Well, our collectors --
27 this is part of their job.

28 MR. BUKATOR: You don't have
29 collectors in rural areas. You are off at a distance,
30 you don't have your people collecting. You are talking



1 about the city and I'm talking from the country
2 side of the problem.

3 MR. KUPTZ: Well, what particular
4 countryside --

5 MR. BUKATOR: Let's say Niagara
6 Falls.

7 MR. KUPTZ: We have a representative
8 there. We have representatives in all the major
9 cities in Ontario.

10 MR. BUKATOR: I see. Then you
11 could come to the village of Chippewa from Niagara
12 Falls and try to find out why that customer is not
13 happy.

14 MR. KUPTZ: He is there to
15 collect and service that account.

16 MR. BUKATOR: But they usually
17 send their money in, I gather.

18 MR. KUPTZ: Well then they prefer
19 to pay by mail. They have their choice of either
20 paying by mail or --

21 MR. BUKATOR: I found that out.
22 But they decided to pay by mail now and the reason
23 they don't pay is because their books haven't come.
24 I'm trying to clarify a point for you, I'm trying
25 to help you along and help myself if I can. The
26 fact remains that the person did not send in the
27 money because the books did not come through. Now
28 how do you clear that situation up?

29 MR. KUPTZ: They would receive,
30 if they are delinquent, they would receive a reminder



1 letter from the company. Right? Now if someone
2 is not getting their books and we are asking for
3 money -- I mean if I wasn't getting books and
4 somebody asked me for money I would tell them: "Look,
5 I'm not getting my books, please do something."

6 MR. IRWIN: Could I interrupt?
7 It just strikes me that something is missing here
8 in this way, that surely within your own company
9 you must not become concerned if the first month's
10 payment doesn't come in, because you admit that
11 the books are not likely to come for six weeks.
12 Surely if customer A has paid his \$3.75 and he's
13 due to pay on the 1st of the following month \$3.75,
14 surely you wouldn't start bugging him about paying
15 knowing he is not likely to have received his books.
16 I'm just thinking of the trackers in your office.
17 It would seem to me from your own description of
18 your pattern that 90% of the people would not have
19 received their books at the time the first next
20 payment is due. Surely there must be an administrative
21 way of handling this, and say: "Let's not worry about
22 it until the second payment has not come in".

23 MR. KUPTZ: One point I neglected
24 to point out is that 98% of our contracts falls due
25 two months after they have been signed.

26 MR. IRWIN: Oh, I see.

27 MR. KUPTZ: Sometimes even 10 weeks.
28 You see?

29 MR. SEDGWICK: So that they have
30 got the books before the next payment is due?



1 MR. KUPTZ: That's correct. In
2 other words, they are published, as this gentleman
3 well knows, they are published on different dates
4 and a person may very well have received four
5 magazines and there is one missing when our service
6 man stopped at the door. 99% of the time it is
7 because of the fact that the publication date of
8 this particular magazine --

9 MR. IRWIN: I think the point
10 has been cleared up. If I order your package
11 today and pay my \$3.75 and I am not likely to
12 get the magazines for eight weeks, and the date
13 my first payment is due is three months from now,
14 possibly.

15 MR. KUPTZ: It would be
16 approximately two months, two months and a week
17 after the date you ordered them.

18 MR. BUKATOR: This is the answer
19 I was looking for. You give them sufficient time
20 before they make their first payment or second
21 payment -- six weeks, eight weeks after, two months
22 after?

23 MR. KUPTZ: Yes.

24 MR. BUKATOR: Then if something
25 should happen and they don't get their books mailed
26 out to them or one or two of them -- and this is
27 a stubborn person you are dealing with and they are
28 not going to hand that money out because they didn't
29 get the complete series or the complete package. You
30 don't take any other steps and send out a notice that



1 they are delinquent on their payment?

2 MR. KUPTZ: We will send out
3 a notice because according to us they are
4 delinquent. Right?

5 MR. BUKATOR: That's right.

6 MR. KUPTZ: We will also -- now
7 our agent is at the door, our collector is there --
8 right? And this woman is going to tell him -- she
9 may say: "I'm going to pay you but I haven't got
10 these two magazines yet". See? Or she may say:
11 "I do not intend to pay you now until I receive
12 all of my magazines". Because when these people
13 receive their first copy of Life, if they look at
14 the stencil they will see that that description
15 carries through four years from the date that it
16 has been entered. The same thing holds true for
17 every magazine they receive. If they look at the
18 stencil they will see that this is good for four
19 years, that we have set it up so that they are going
20 to receive these books for four years. Right? This
21 is on the stencil.

22 MR. BUKATOR: From the first issue
23 they have four years?

24 MR. KUPTZ: That's right.

25 MR. BUKATOR: And they don't all
26 come in at the same time.

27 MR. KUPTZ: That's right.

28 MR. BUKATOR: I was wondering if
29 that isn't an area of trouble for you. Now how are
30 you connected with the Canadian Central Registry? Is



1 there any connection between your organization and
2 them?

3 MR. KUPTZ: Well, we are members
4 of the Canadian Central Registry. We are members
5 and subject to their regulations.

6 MR. BUKATOR: You are both
7 concerned, naturally, with the same problems.

8 MR. KUPTZ: Right.

9 MR. BUKATOR: How about your
10 troubles in the municipalities where you send in
11 these groups of people -- lots of small towns don't
12 want travelling salesmen -- do you usually consult
13 the municipal fathers first?

14 MR. KUPTZ: Their instructions
15 are to register with the Chamber of Commerce if there
16 is one available and also with the local Police
17 Department. Those are their instructions, yes.

18 MR. BUKATOR: I remember one
19 particular day, Mr. Chairman, just to get in a bit
20 of humor. I was a Reeve of the Village and I was
21 talking to my police and some of our people were
22 bothered, I thought, too much, and I said to the
23 police: "I wish you would get rid of these people.
24 They are creating quite a disturbance for us. They
25 are making a nuisance of themselves". And while I
26 was chasing them out of the front door, so to speak,
27 my wife was signing a subscription at the back door.
28 (Laughter).

29 MR. KUPTZ: What you do in that
30 case is always lock the back door. (Laughter).



1 THE CHAIRMAN: Are there no
2 other questions, gentlemen?

3 Thank you very much for
4 being with us.

5 MR. KUPTZ: Thank you, gentlemen.

6 THE CHAIRMAN: The meeting is
7 adjourned, but will the members remain for a
8 few minutes.

9 ---WHEREUPON THE MEETING WAS ADJOURNED.

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